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MNI India Consumer Report December 2015

Insight and data for better decisions

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Insight and data for better decisions

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Specialising in business and consumer focused macro-economic reports, we give our customers the ability to make timely and relevant decisions. We strive to provide up-to-date information on business and consumer confidence on the economy.

MNI Indicators publishes data on a monthly basis. Our indicators are based on a unique and proprietary methodology and are designed to present an advance picture of the economic landscape as perceived by businesses and consumers every month.

Our monthly reports explore attitudes, perspectives and confidence across different countries and regions. They deliver in-depth analysis, highlight changing patterns and how these can affect potential developments in business and consumer activities.

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Executive Summary

Consumer confidence fell for the fourth consecutive month in December to the lowest on record, as consumers reported a further deterioration in their personal finances and revised down their assessment of the business environment.

Consumer confidence fell for the fourth consecutive month in December to the lowest on record, as consumers reported a further deterioration in their personal finances and revised down their assessment of the business environment. Respondents saw little hope of a turnaround either, with expectations for the future falling sharply.

The MNI India Consumer Sentiment Indicator fell 4.6% to 108.5 in December from 113.7 in November. The decline was broad-based with all five components of the Consumer Indicator down on the month. While the indicator remains above the 100 level, meaning optimists still outnumber pessimists, it has fallen 9.3% over the past year and now stands 10.8% below the series average.

Sentiment has been in trend decline over the past year and has fallen sharply since April in spite of aggressive action from the central bank to boost economic growth, questioning just how solid the economy is.

Views about the current situation fell to historical lows, with the Current Indicator declining to 105.4, while the Expectations Indicator, which is made of three forward-looking components, also dropped to a fresh series low of 110.6.

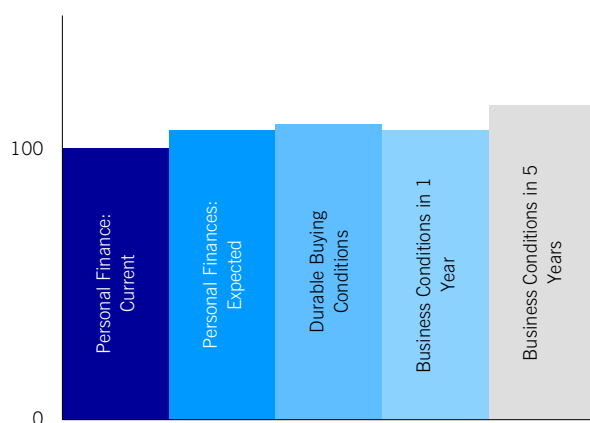
There was a drop in confidence in household finances, with both current and future measures falling to record lows. Almost 94% of respondents said they used the majority of their income on daily expenses, with very little left to save or invest. A rise in inflation has made matters worse with consumers increasingly dissatisfied with current prices. The indicator measuring satisfaction with the current level of prices fell for the fourth consecutive month to 66.8 from 78.6 in November, the lowest outturn since May 2014. A figure below 100 indicates wider dissatisfaction, while an outturn above 100 shows increasing satisfaction.

Higher discontent with current prices has usually been matched by rising inflation expectations. However, in December, the Inflation Expectations Indicator remained broadly stable at 139.6 compared with 139.2 in the previous month.

Consumers also revised down their expectations for business conditions and were more downbeat in their perception of the current business environment in December. Respondents downgraded their outlook for business over the coming year, with Business Conditions in One Year registering a 6.2% decline on the month, while Business Conditions in Five Years dropped 4.1%. Of those who were less optimistic about business conditions in the coming year, the majority of respondents attributed it to economic development.

Respondents were significantly less optimistic about the job market over the next 12 months, with the Employment Outlook Indicator falling 7.4% on the month to the lowest level since the start of the survey in November 2012.

MNI India Consumer Indicator - Components



All India - Overview

	Oct-15	Nov-15	Dec-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
MNI India Consumer Indicator	114.1	113.7	108.5	-	series low	112.1	-5.2	-4.6%
Current Indicator	108.0	109.9	105.4	-	series low	107.8	-4.5	-4.1%
Expectations Indicator	118.2	116.2	110.6	-	series low	115.0	-5.6	-4.8%
Personal Finance: Current	104.4	108.0	101.0	-	series low	104.5	-7.0	-6.5%
Personal Finance: Expected	113.9	112.4	107.6	-	series low	111.3	-4.8	-4.3%
Business Condition: 1 Year	118.4	114.5	107.4	-	series low	113.4	-7.1	-6.2%
Business Condition: 5 Years	122.1	121.7	116.7	-	series low	120.2	-5.0	-4.1%
Durable Buying Conditions	111.5	111.8	109.8	-	Aug-15	111.0	-2.0	-1.8%
Current Business Conditions Indicator	107.0	105.2	95.6	-	series low	102.6	-9.6	-9.2%
Real Estate Investment Indicator	115.0	114.3	113.5	-	Mar-15	114.3	-0.8	-0.7%
Car Purchase Indicator	88.9	87.2	89.9	Sep-15	-	88.7	2.7	3.0%
Employment Outlook Indicator	110.8	109.9	101.8	-	series low	107.5	-8.1	-7.4%
Inflation Expectations Indicator	142.4	139.2	139.6	Oct-15	-	140.4	0.4	0.3%
Current Prices Satisfaction Indicator	82.7	78.6	66.8	-	May-14	76.0	-11.8	-15.0%
Interest Rates Expectations Indicator	125.5	123.1	119.9	-	Aug-14	122.8	-3.2	-2.6%

All India - Summary

	2014	2015											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
MNI India Consumer Indicator	119.6	120.4	121.2	118.5	122.1	119.6	119.5	118.6	119.1	115.3	114.1	113.7	108.5
Current Indicator	106.9	112.2	114.3	109.9	115.7	113.5	111.2	109.6	110.2	110.5	108.0	109.9	105.4
Expectations Indicator	128.0	125.8	125.7	124.2	126.4	123.7	125.1	124.6	125.1	118.5	118.2	116.2	110.6
Personal Finance: Current	114.4	113.3	116.1	114.5	118.3	117.7	114.4	110.3	111.1	110.1	104.4	108.0	101.0
Personal Finance: Expected	126.3	124.2	123.7	121.1	120.8	119.1	120.9	119.3	119.3	115.7	113.9	112.4	107.6
Business Condition: 1 Year	119.9	119.6	120.1	119.5	123.8	121.1	122.5	121.1	122.6	115.5	118.4	114.5	107.4
Business Condition: 5 Years	137.9	133.6	133.3	132.1	134.5	131.0	131.9	133.4	133.4	124.4	122.1	121.7	116.7
Durable Buying Conditions	99.4	111.2	112.6	105.4	113.0	109.2	108.0	109.0	109.3	110.8	111.5	111.8	109.8
Current Business Conditions Indicator	116.6	112.4	117.2	110.3	114.4	113.0	112.4	107.9	111.0	108.8	107.0	105.2	95.6
Real Estate Investment Indicator	111.0	114.2	114.5	112.1	115.3	114.6	114.8	115.0	115.7	114.5	115.0	114.3	113.5
House Price Expectations	154.2	153.6	151.8	149.9	152.9	156.6	153.7	152.4	149.9	148.8	152.3	151.5	148.6
House Buying Sentiment	89.3	94.6	96.6	91.5	88.9	88.4	89.3	93.3	93.0	89.7	89.8	87.6	93.8
House Selling Sentiment	110.7	105.5	104.9	105.0	96.0	101.4	98.5	100.8	95.7	95.0	97.1	96.0	101.8
Car Purchase Indicator	91.4	104.0	108.1	96.5	96.3	87.7	84.6	84.9	93.4	99.2	88.9	87.2	89.9
Car Purchase Expectations	79.7	105.1	105.8	100.7	103.8	102.1	101.0	101.1	99.2	102.6	103.2	100.3	101.1
Price of Gasoline Expectations	96.9	97.0	89.5	107.6	111.2	126.6	131.8	131.3	112.4	104.1	125.4	125.8	121.3
Employment Outlook Indicator	121.1	122.7	121.8	116.3	120.1	121.1	122.7	119.3	122.9	112.3	110.8	109.9	101.8
Inflation Expectations Indicator	123.2	126.8	119.6	132.8	134.2	138.7	136.3	140.4	137.5	137.7	142.4	139.2	139.6
Current Prices Satisfaction Indicator	97.1	96.4	100.4	95.4	92.6	86.7	89.1	87.7	89.6	85.1	82.7	78.6	66.8
Interest Rates Expectations Indicator	129.4	123.9	124.0	121.9	129.2	134.3	133.7	130.1	131.2	127.8	125.5	123.1	119.9

All India - Records

	2012-Current			
	Minimum	Maximum	Mean	Median
MNI India Consumer Indicator	108.5	133.7	121.6	121.7
Current Indicator	105.4	128.3	114.4	114.1
Expectations Indicator	110.6	137.3	126.4	126.7
Personal Finance: Current	101.0	135.4	117.8	117.1
Personal Finance: Expected	107.6	141.5	125.5	125.3
Business Condition: 1 Year	107.4	131.8	121.2	120.4
Business Condition: 5 Years	116.7	144.5	132.6	133.0
Durable Buying Conditions	99.4	121.1	111.0	111.0
Current Business Conditions Indicator	95.6	124.9	112.3	111.9
Real Estate Investment Indicator	109.7	119.9	113.9	114.3
House Price Expectations	133.3	156.6	146.7	148.6
House Buying Sentiment	87.6	121.5	100.0	97.7
House Selling Sentiment	95.0	113.7	104.8	104.9
Car Purchase Indicator	60.1	108.1	81.3	79.3
Car Purchase Expectations	79.7	114.8	102.2	102.4
Price of Gasoline Expectations	89.5	171.0	139.7	148.0
Employment Outlook Indicator	101.8	128.3	117.5	119.1
Inflation Expectations Indicator	119.0	159.2	140.3	139.0
Current Prices Satisfaction Indicator	63.0	115.9	85.0	86.4
Interest Rates Expectations Indicator	116.6	140.4	128.6	129.5

Industrial production growth jumped to 9.8% in October from 3.8% in September...

...although this was due to base effects, with underlying growth far weaker, although on a rising trend.



Economic Landscape

Latest economic data has been mixed. Looking ahead, however, moderate inflation and easier monetary conditions should help to support growth in 2016.

Latest economic data has been mixed. Growth picked up pace in the first half of the year, on the back of higher investment and government spending, while private consumption growth moderated. The economy grew by 7.4% in the second quarter of the fiscal year, higher than the 7% recorded in the previous quarter. Net exports continued to provide a drag on growth, although the decline in both exports and imports slowed. Industrial production growth jumped to 9.8% in October from 3.8% in September although this was due to base effects, with underlying growth far weaker, although on a rising trend. Looking ahead, moderate inflation and easier monetary conditions should help to support growth in 2016.

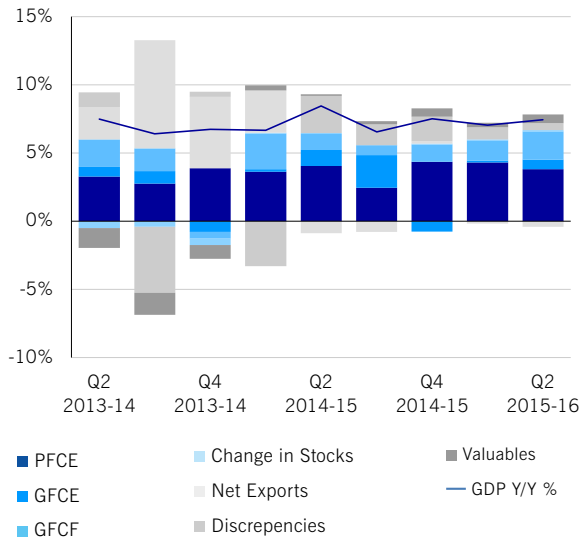
At the December monetary policy meeting, the repo rate was left unchanged at 6.75% as expected. The RBI softened slightly its position on the inflation outlook although noted that the recent uptick in core inflation warranted vigilance. It also left the door open to further rate cuts noting that it would “use space when available” to cut rates so long as inflation was on track to hit 5% by March 2017. In November, consumer price inflation climbed to 5.41%, the highest since September 2014 on the back of rising food prices. The rise in inflation was expected with base effects turning unfavourable since September, something which will continue in December.

Growth in GDP accelerates in Q2

Latest GDP data showed that India's economy grew by 7.4% on the year in the July-September quarter, up from 7% in the previous quarter, although lower than the 8.4% growth recorded in the July-September quarter last year. Growth has picked up pace in the first half of FY16, on the back of green shoots in manufacturing, investment spending and support from government spending.

Growth of GVA at basic prices improved for the second consecutive quarter to 7.4% on the year in Q2FY16 from 7.1% in Q1 and 6.1% in Q4FY15. The improvement in GVA growth was primarily led by an uptick in industrial expansion to 6.8% in Q2 from 6.5% in Q1. The data showed an unexpected pick-up in growth of agriculture, forestry & fishing output to 2.2% in Q2 from 1.9% in Q1, allaying concerns regarding the extent of the impact of the unfavourable monsoon on agricultural output. However, growth of the services sector eased mildly to

Contribution to GDP Growth



Source: Central Statistics Office

8.8% in Q2 from 8.9% in the previous quarter. This was due to lower growth in trade, hotels, transport, communication and services related to broadcasting. That said, service sector performance remained buoyant in Q2 with financial, real estate and professional services growing at 9.7% and public administration, defence and other services rising by 4.7% versus 2.7% in Q1.

On an expenditure basis, GDP growth in the July-September quarter was led by a 6.8% year-on-year increase in both private final consumption expenditure (PFCE) and gross fixed capital formation (GFCF). Growth of PFCE has slipped from 7.4% in Q1, with an unfavourable monsoon and the expectation of subdued rural incomes dampening sentiments and weighing upon rural consumption growth. Personal consumption added 3.8 percentage points to growth, having contributed 4.3 percentage points in the previous quarter and 4 percentage points in the same quarter a year ago. Boosted by robust growth in government capital spending, the growth of GFCF improved to a five-quarter high from 4.9% in Q1, contributing 2.1 percentage points, up from 1.5 percentage points in the previous quarter and 1.2 percentage points in the same quarter a year ago. Net exports continued to be a drag on growth, however the pace of contraction of both imports and exports eased in Q2 (-2.8% and -4.7%, respectively)

compared with the previous quarter (-5.4% and -6.5%, respectively).

Going forward, we expect trends such as the moderation in inflation, easy monetary conditions and upward revision in the salaries of government employees to support urban consumption demand and overall economic activity, with growth expected to surpass the 7.3% recorded last year. Rural demand, on the other hand, is expected to remain subdued owing to two consecutive years of weak monsoons, unseasonal rains and lower MSP increases than in previous years. Government spending will play a critical role in terms of infrastructure investment and easing rules for foreign direct investment.

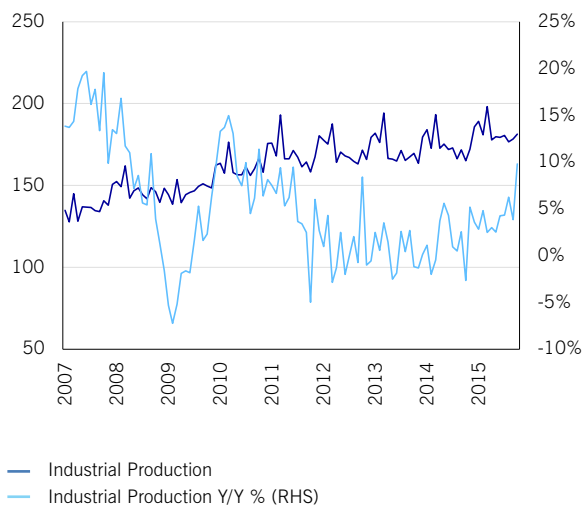
Industrial output growth highest in five years, led by favourable base effects

Industrial production growth accelerated to 9.8% on the year in October from 3.8% in September (revised up from 3.6% previously). Even though growth is exaggerated by favourable base effects, overall factory output has been steadily increasing since October last year. In the first ten months of the year, industrial production expanded by 4.3% over the previous year, more than three times the growth rate seen in 2014.

The overall increase was broad-based. The manufacturing sector, which forms three quarters of industrial production, expanded by 10.6% on the year compared with 2.9% in the previous month (revised up from 2.6% previously) and was up 4.7% in the ten months to October over the past year, the highest growth rate in four years, providing a boost to the “Make in India” program. Electricity production grew by 9% on the year while mining grew by 4.7% on the year.

According to use-based classification, basic goods production increased 4.1% on the year in October following 4.2% (revised up from 4% previously) in September, while production of consumer goods accelerated to 18.4% on the year following growth of 1.2% in September (revised up from 1.6% previously), owing mostly to base effects. On a month-on-month basis, output was up 1.1%, the second month of growth helped by festival demand. Output of consumer durables grew by 42.2% on the year in October, up from 18.4% in September. While base effects were at play, it was encouraging to see the third positive month-on-month outturn, a further sign of a possible turning point for the consumer sector. On the investment side, growth in capital goods rose to 16.1% in October, the fourth month of double-digit growth. While monthly data is volatile, we welcome the overall turnaround in capital goods production which has grown by an impressive 9.2% in the first ten months of the year compared with last year, the highest since 2010.

Industrial Production



Source: Central Statistics Office

Overall, the latest data gives further confidence that the long-term recovery remains intact, especially with robust growth in the capital goods sector and emerging green shoots in the consumer sector. The October data has provided a stronger platform for Q3 growth, and while we expect some pull-back in November, higher government spending on large capital intensive projects is expected to keep industrial production firm.

The more frequently updated data for the core sector, which is comprised of eight industries and forms 38% of industrial production, contracted by 1.3% on the year in November from a 3.2% growth in the previous month. Last time the sectors were in the negative zone was in April 2015, when they shrank by 0.4%. During the April-November period of the current fiscal year, infrastructure output has slowed to 2% on the year, down from 6%

growth in the corresponding period last year. The overall decline was led by four sectors, crude oil, natural gas, steel and cement while electricity production did not grow at all compared with the previous month. This month again, production of fertiliser was the front-runner, growing by 13.4% on the year, although slower than in the previous month.

RBI Consumer Confidence fell in September

The RBI's Consumer Confidence survey showed that the Current Situation Index (CSI), an assessment of consumer sentiment, fell in the quarter ending September to 102.9 from 107.7 in the quarter ending June. This was the second consecutive decline in confidence pushing the index to the lowest level since June last year.

Current economic conditions compared with one year ago plummeted, wiping out the gains of the previous two quarters. Positive perceptions of future economic conditions also fell to the lowest since March 2014.

Respondents were increasingly worried about employment conditions with the proportion of respondents whose employment conditions worsened compared with a year ago outnumbering those who showed an improved situation. Fewer respondents expected an improvement in the employment situation one year ahead as well. Sentiment towards current

income fell to the lowest level in the survey's history and fewer respondents expected it to improve one year ahead.

Respondents' expectations about future economic conditions also declined as the Future Expectations Index, which measures the year-ahead outlook, fell to 119.2 in September from 124.2 in June.

More up-to-date monthly data from the MNI India Consumer Sentiment Survey has shown confidence falling to a record low level among households. The MNI India Consumer Sentiment Indicator fell to 108.5 in December from 113.7 in November. Consumers reported that they were less confident about their household finances than ever before and had lower expectations for business conditions both in the short- and long-term.

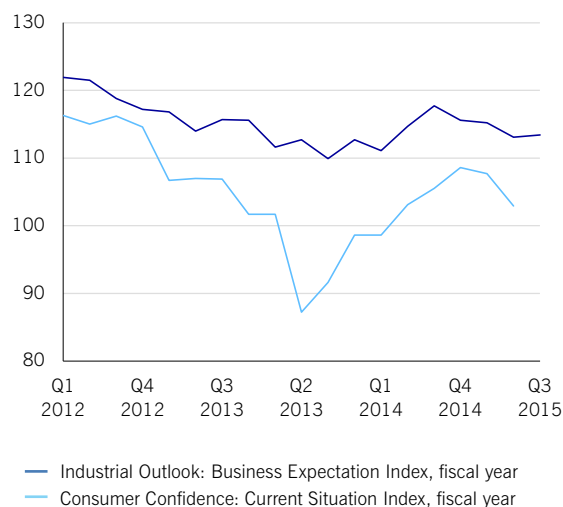
RBI Industrial Outlook remains stable in December

The RBI's Industrial Outlook Survey showed that the Business Expectation Index (BEI), a gauge of manufacturing business sentiment, remained broadly stable at 113.4 in the quarter ending December compared with 113.1 in the quarter ending September and was below the outturn of 117.7 recorded in the December quarter a year earlier. Companies expected fewer export and import orders, with nearly stable order books and production. There was also reduced pessimism towards the cost of finance and the cost of raw materials.

Manufacturing companies witnessed a decline in demand during the July-September quarter, with sentiment easing to 102.4 from 104.8 in the previous quarter. The decline in sentiment for the assessment quarter was mainly due to lower optimism in production, order books, exports, capacity utilisation, employment, financial situation and availability of finance, coupled with increased pessimism in selling prices and profit margin.

More up-to-date monthly data from the MNI India Business Sentiment Survey shows that business confidence has eased this year. In the quarter ending December, the MNI India Business Sentiment Indicator fell to the lowest since quarter ending December 2013, averaging 61.3. In December, business sentiment fell to

RBI Business and Consumer Sentiment



Source: Reserve Bank of India

60.7, the lowest since February 2014. Companies were more optimistic about the next three months with the Expectations Indicator rising to 60.7 in December as companies were more bullish about Production, Employment and their Financial Position over the coming quarter.

Retail Inflation Highest Since September 2014

Consumer price inflation rose to 5.41% in November from 5% in October, the highest since September 2014.

Food price inflation, which makes up 47.25% of the CPI basket, increased to 6.07% in November from 5.25% in October, the highest in eight months. While prices of vegetables were up 4%, prices of pulses accelerated at a bumper rate of 46.1%, although both eased on a month-on-month basis. The government has resorted to imports for managing the supply of pulses, which should help ease pressure in the coming months and has increased the minimum support price (MSP) for rabi pulses-gram and masoor by Rs.250 per quintal each. The higher MSPs are expected to lead to increased investment and production through assured remunerative prices to farmers – although this is necessarily a long-term goal. Fuel inflation stood unchanged at 5.3% on the year, for the third consecutive month. On a three month on three month basis, it picked up slightly to 0.3%, and with global commodity prices declining

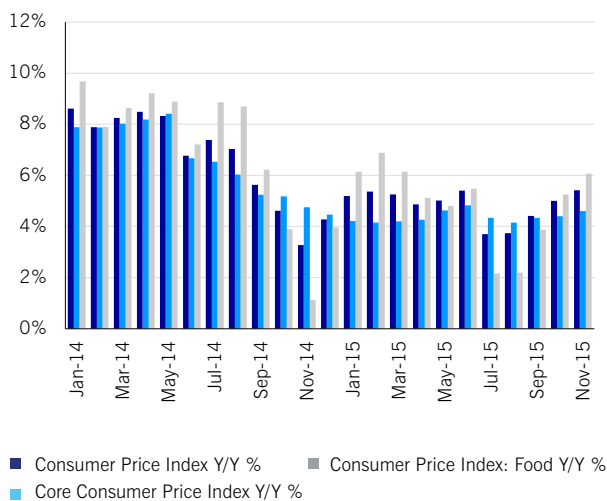
further, we expect fuel price inflation to remain muted. After stripping out the more volatile components (food and beverages and fuel and light), core inflation rose to 4.59% in November from 4.39% in October.

Rural CPI inflation quickened to 5.9% in November from 5.5% in October, led by a pick-up in food inflation to 5.8% from 5.2% in October. Urban CPI inflation also rose to 4.7% from 4.3% in October, with food inflation accelerating to 6.5% from 5.5% in October.

The RBI sees inflation remaining capped on the assumption of moderate increases in minimum support prices and subdued international food and crude prices, although without favourable base effects, we have already witnessed a quick pick-up, especially in services inflation.

The previously targeted measure of inflation, based on the Wholesale Price Index, contracted for the 13th consecutive month in November, falling an annual 2% from a 3.8% decline in October. The slightly slower fall came on the back of an increase in prices for food and power. Food inflation was up 5.2% on the year, the highest in seven months and was also 2.3% up on the month. Fuel and power prices, though down on the year, rose for the second consecutive months. Manufacturing pricing power continued to remain weak, with prices down for the ninth consecutive month on the year.

Consumer Inflation



Source: Central Statistics Office

Repo rate unchanged at 6.75% in December

The Reserve Bank of India kept the policy repo rate unchanged at 6.75% in December, in line with expectations after a 50 basis point cut at the previous meeting in September.

The RBI noted that CPI inflation is expected to broadly follow the path indicated in the September 2015 policy review but softened its view slightly by noting that the risks were now skewed slightly to the downside. Against this, it warned that the recent pick-up in core inflation warranted vigilance. Once again, the RBI highlighted the need for supply side reforms with astute food management by both the central and state governments necessary to minimize shortfalls in food production due to monsoon vagaries.

On growth the RBI's projection for 2015-16 remained unchanged at 7.4%, with mild risks to downside. This follows the downward revision from the 7.6% stated in the September policy statement. The outlook for manufacturing and service sector output was robust, while agricultural output was expected to be weak. The RBI was hopeful that a rise in government expenditure and the easing in the monetary policy would help revive private investment demand.

The RBI once again lamented the fact that lending rates have fallen by far less than the repo rate. In order to improve the transmission mechanism it noted that the government was looking at linking small savings interest rates to market rates. On December 17, the RBI announced new rules for calculating base rate to come into effect from 1 April 2016. Under the new rules, banks must set their lending rates under the marginal cost of funding every month, which is based on the cost of new deposits instead of the current system of the average rate of outstanding deposits, to allow quicker transmission of monetary policy.

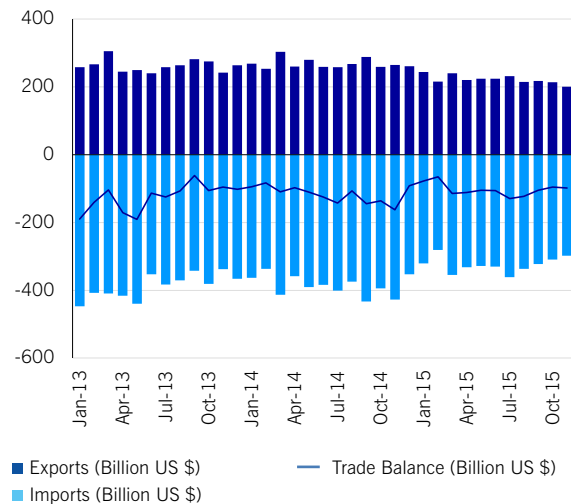
While the RBI is clearly watching the impact on inflation from commodity prices as well as the implementation of the Pay Commission proposals it still appears to remain on an easing bias. The RBI emphasised that it would "use the space for accommodation, when available, while keeping the economy anchored to the projected disinflation path that should take inflation down to 5% by March 2017.

Exports decline for the twelfth month in a row

India's trade deficit remained broadly stable in November at \$9.78 billion compared with \$9.77 billion in October and was almost 40% below the \$16.2 billion shortfall recorded in November last year as both exports and imports fell significantly.

Exports contracted 24.4% on the year, the 12th consecutive fall, to \$20 billion in November. Looking at the three-month year-on-year measure for exports, the slowdown in exports has become more pronounced. Imports declined 30.3% on the year to \$29.8 billion in November owing mostly to a decline in oil imports which dropped 45% on the year to \$6.5 billion. Gold imports also fell 36.5% on the year to \$3.53 billion.

Trade Balance



Source: Ministry of Commerce and Industry

Disappointingly, non-oil, non-gold imports, which reflect domestic demand, fell by a hefty 27% in November.

As per the provisional aggregate monthly data on India's international trade in services released by the RBI, receipts from India's service exports remained broadly stable at \$13.34 billion compared with \$13.32 billion in September. Payments for India's service imports fell 6% on the month to \$7 billion in October, the lowest level of services payments recorded in the past five months.

Overall, the trade data suggests weakness in both external and domestic demand. While export weakness has been ongoing for some time, softness in non-oil imports is disappointing. Prime Minister Narendra Modi has been pitching India as a global manufacturing destination with the "Make in India" initiative, but demand for goods made in India has been falling. India aims to increase exports of goods and services to \$900 billion by 2020 and raise the country's share in world exports to 3.5% from 2% now. A lack of competitiveness and weak demand, though, makes this an exceedingly ambitious target.

Government committed to the fiscal deficit target

The fiscal deficit in the first eight months of 2015-16, was Rs. 4.8 trillion or 87% of the estimated budget for

the whole financial year. This is lower than the deficit of 99% during the same period a year ago.

The total expenditure of the government in the first eight months was Rs. 11.4 trillion or 64.3% of the entire year estimate, higher than last year's expenditure of 59.8%. Of the total outflows in the eight months, planned expenditure was 64.1% of the budget estimate given the government's emphasis on infrastructure development. Planned spending was around 51.1% of the budget estimate during the last fiscal year. Total spending, which is set at Rs. 17.7 trillion for the entire year, is expected to go up after the government received Parliament's approval in July to spend more on recapitalisation of public sector banks and expected hike in the central government employees' salaries in accordance to recommendations of the Pay Commission. The government, however, has managed to keep non-plan spending in check. Non-Plan expenditure in April-November 2015 was Rs. 8.4 trillion, or 64.3% of the whole-year estimate. Total receipts were Rs. 6.5 trillion, 53.9% of the estimate.

For 2015-16, the government aims to contain the fiscal deficit at 3.9% of GDP and is targeting 3% a year later than earlier announced, unlocking funds for investment into infrastructure development and social welfare programmes. The government had budgeted raising Rs. 695 billion through disinvestment in the current fiscal year. Of this, Rs. 410 billion was to come from a minority stake sale in public sector undertakings and another Rs. 285 billion from the sale of strategic stakes. So far, the government has been able to sell stakes in just four companies—Power Finance Corp. Ltd, Rural Electrification Corp. Ltd, Dredging Corp. of India Ltd and Indian Oil Corp. Ltd, worth Rs. 126 billion, which makes the achievement of disinvestment target challenging. Despite this, the Finance Ministry has repeatedly said that it will stick to the deficit target with a decline in oil prices providing a helping hand in controlling its expenditure.

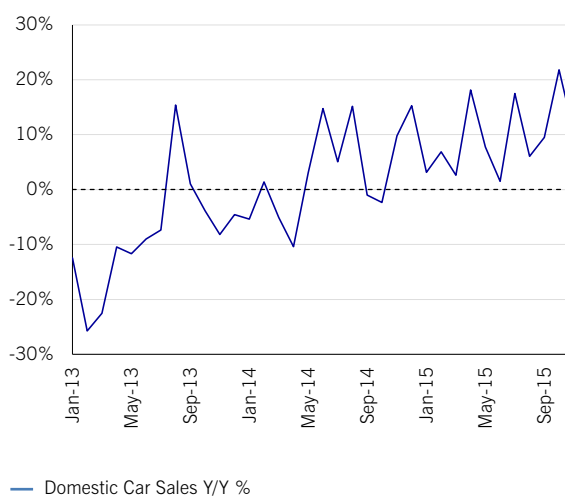
The government has recently announced a series of measures to raise revenue and cut subsidies to keep the deficit in check. A levy of a 0.5% Swachh Bharat Cess is now applicable on all taxable services for funding of the cleanliness drive, a pet project of Prime Minister Narendra Modi. This levy was proposed in the Budget

early in the year but no date was determined then. This has led to a further increase in the service tax rate from 14% to 14.5% and is expected to yield around Rs. 100 billion each fiscal. In June, the government had increased the service tax rate to 14% (inclusive of all cess) from 12.36% earlier, making services like eating out, travelling, phone calls etc more expensive for the end user. In its latest move, the government seeks to curb gas subsidies. It recently announced that cooking gas subsidies will only be offered to citizens with taxable incomes of less than Rs. 1 million. At present, all households are entitled to 12 cylinders of 14.2-kg each at subsidised rate of Rs. 419.26, while the market price of each cylinder is Rs. 608.

Growth in car sales for the 13th month in a row

Car sales in India rose by 10.4% on the year in November, down from 21.8% in October, helped by new model launches and festival discounts. Unlike 2014, when all festivals were bunched in October, the main Hindu festivals starting with Navratra in October, followed by Dussehra and Diwali in November were spread over two months this year and hence we saw robust sales. Car manufacturers also left no stone unturned this festival season and offered steep discounts to attract customers including gold coins, cash-back offers, free accessories, gift cheques and free insurance. On a month-on-month basis, sales fell by 10.8%, following three months of growth. Car sales have grown

Car Sales



Source: Society of Indian Automobile Manufacturers

by 9.3% on the year in the first 11 months of 2015, a hefty improvement from growth of 1.7% and contraction of 10.3% in the same period of 2014 and 2013.

Sales of commercial vehicles grew by 8.6% on the year in November, slower from 12.7% seen in the previous month. On a month-on-month basis, sales contracted by 11.7% and looking at the three month trend, sales slowed from 4.1% in October to contraction in November.

Following double-digit growth in October, sales of two-wheelers eased to 1.5% on the year in November in spite of a favourable base effect and were down 20.3% on the month. Sales of scooters grew by 2.5% on the year following a hefty 36.8% growth in October. Sales of motorcycles, which form the majority of two-wheelers sales, grew by 1.6% on the year, down from 5.7% growth in October. India is the world's largest market for motorcycles and much of the slowdown comes from smaller cities.

Railway freight traffic contracts in November

In November, freight traffic (millions of tonnes) contracted for the first time in two years by 4.2% on the year and there was also a slowdown in freight traffic on a month-on-month basis. Items related to the construction sector

such as cement contracted after growing in the previous month. However, steel movement boosted confidence with double-digit growth in the three month year-on-year measure.

Coal, iron ore and cement account for around 70% of the total freight traffic in railways. A strong pipeline of infrastructure projects and a steep cut in tariffs on iron ore meant for export is expected to spur the movement of iron ore while a pick-up in infrastructure construction post-monsoon may lead to higher freight loading of cement in the coming months.

Key Monthly Economic Data

	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
Consumer Price Index (Y/Y %)	5.4	3.7	3.7	4.4	5.0	5.4	-
Wholesale Price Index (Y/Y %)	-2.1	-4.0	-5.1	-4.6	-3.8	-2.0	-
Industrial Production (Y/Y %)	4.2	4.3	6.3	3.8	9.8	-	-
Car Sales (Y/Y %)	1.5	17.5	6.1	9.5	21.8	10.4	-
Trade Balance (Billion US \$)	-10.6	-12.9	-12.3	-10.5	-9.5	-9.8	-
Exports (Billion US \$)	22.5	23.2	21.4	21.8	21.4	20.0	-
Imports (Billion US \$)	33.0	36.1	33.7	32.3	30.9	29.8	-
MNI India Business Sentiment Indicator	67.1	65.3	62.3	61.4	62.3	60.9	60.7
MNI India Consumer Sentiment Indicator	119.5	118.6	119.1	115.3	114.1	113.7	108.5



Indicators

Consumer sentiment fell to a new record low in December as consumers reported a further deterioration in their personal finances and saw little hope of a turnaround in their own financial situation or the wider business environment.

MNI India Consumer Indicator

Confidence Eases to a New Low



Consumer sentiment fell to a new record low in December as consumers reported a further deterioration in their personal finances and saw little hope of a turnaround in their own financial situation or the wider business environment.

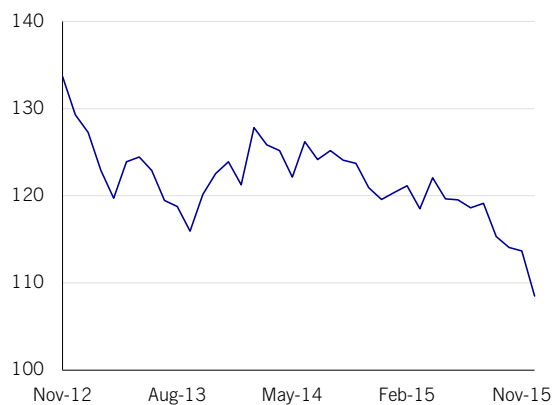
The MNI India Consumer Sentiment Indicator fell 4.6% to 108.5 in December from 113.7 in November. The decline was broad-based with all five components of the Consumer Indicator falling in December. While sentiment remained above the 100 level, meaning optimists outnumbered pessimists, it has fallen 9.3% over the past year and stands 10.8% below the series average.

Sentiment has been in trend decline over the past year and has fallen sharply since April in spite of aggressive action from the central bank to boost economic growth, questioning the resilience of the economy.

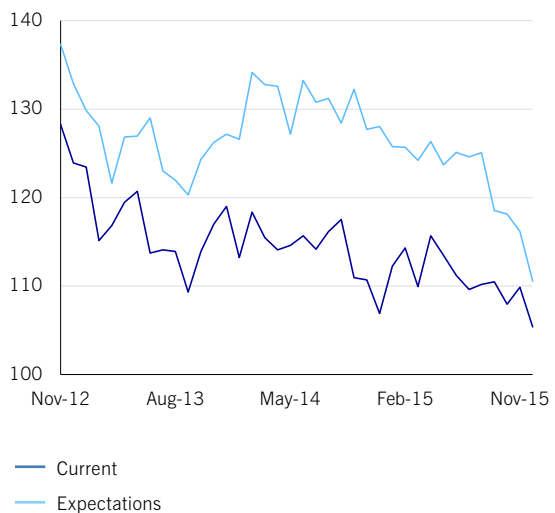
Views about the current situation fell to historical lows, with the Current Indicator declining to 105.4, while the Expectations Indicator, which is made of three forward-looking components, also dropped to a fresh series low of 110.6.

Confidence in household finances declined, with both current and future measures falling to record lows. Almost 94% of respondents said they used the majority of their income on daily expenses, with very little left to save or invest. A rise in inflation has made matters worse with consumers increasingly dissatisfied with current prices.

MNI India Consumer Indicator



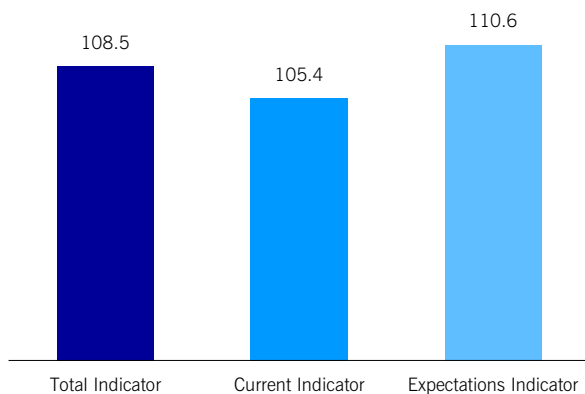
Consumer Indicators



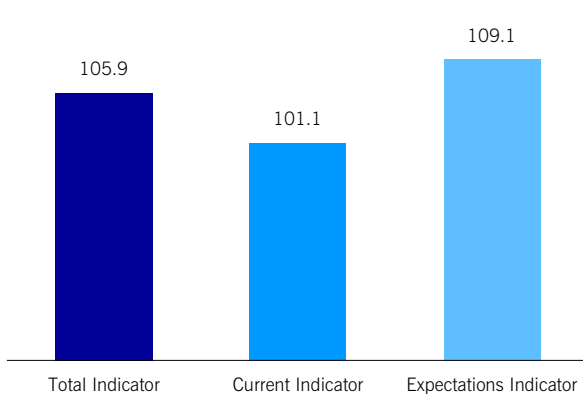
MNI India Consumer Indicator

	Dec-14	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
MNI India Consumer Indicator	119.6	118.6	119.1	115.3	114.1	113.7	108.5
Current	106.9	109.6	110.2	110.5	108.0	109.9	105.4
Expectations	128.0	124.6	125.1	118.5	118.2	116.2	110.6

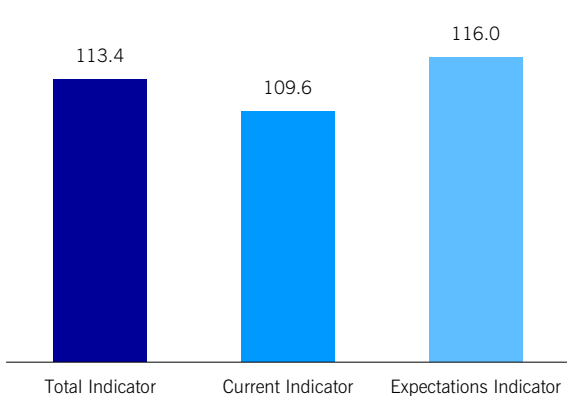
All India



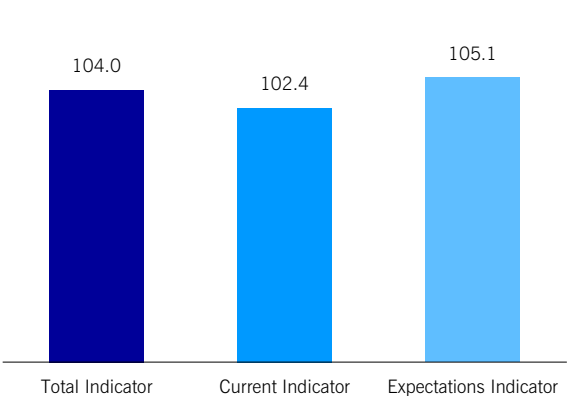
North India



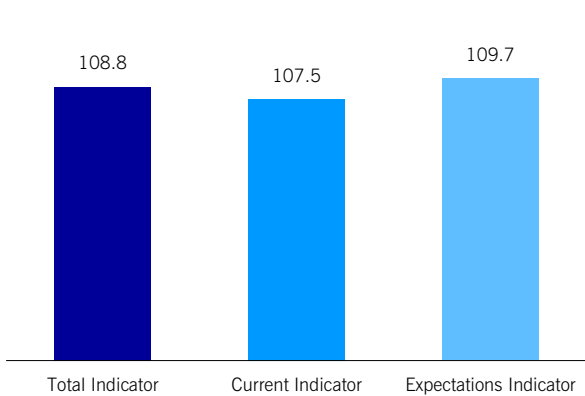
South India



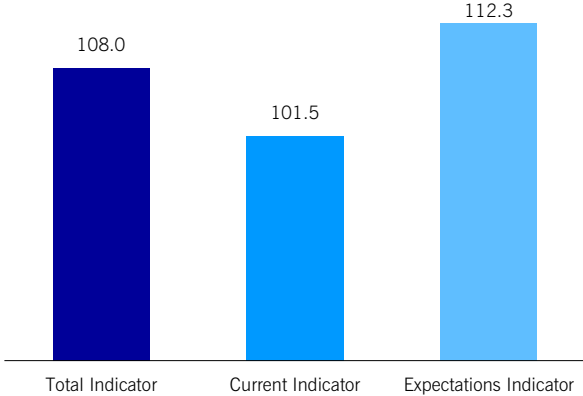
East India



West India



Central India





Consumers also revised down their expectations for business conditions and were more downbeat in their perception of the current business environment in December. Respondents downgraded significantly the outlook for business over the coming year, with Business Conditions in One Year registering a 6.2% decline, while Business Conditions in Five Years dropped 4.1% on the month. Clearly, our panel are not convinced that either the rate cuts or steps taken by the government to promote growth will have a significant impact. Our sister business survey paints a similar picture with business confidence in December plummeting to the lowest since February 2014.

Respondents were less optimistic about the job market over the next 12 months, with the Employment Outlook Indicator falling 7.4% on the month to the lowest level since the start of the survey in November 2012.

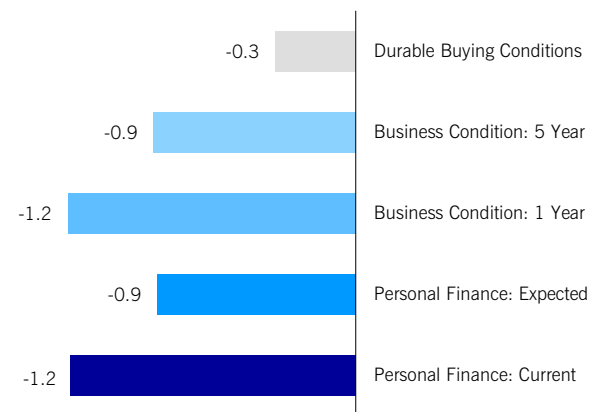
Regions

Consumer sentiment fell in all regions to their respective series low levels in December.

In East India, the Consumer Indicator fell 6.9% to 104.0 in December, marking the third consecutive decline. All components of the headline indicator decreased on the month. Respondents were significantly less confident about the state of their finances, reflected by an 8.1% fall in the Current Personal Finances Indicator and an 8.2% fall in the future measure. They were also less optimistic in their expectations for business conditions, with both short- and long-term measures falling further.

In North India, respondents turned pessimistic about their personal finances and their expectations for future finances fell to a record low level. Expectations for business conditions were also down and consumers were less upbeat about buying large household items.

Consumer Indicator: Contribution to Monthly Change (% pt.)



Age

Consumer sentiment fell among younger and middle age groups in December to record lows while for the oldest group it was just above the series low.

The Consumer Indicator for the 18-34 year age range fell to 110.2 in December from 116.9 in November, the lowest since the start of the survey. All five components of the Consumer Indicator declined, out of which four fell to their record low levels. Consumers were less optimistic about future business conditions, with the measure for one year falling 10 points in December. Respondents were also downbeat about current conditions, especially their current personal financial situation, which undermined their willingness to buy big ticket items.

Consumer sentiment among 35-54 year olds fell to a record low of 106.5 from 113.1 in November. The decline was broad-based with the current Personal Finances measure falling below the 100 breakeven level. Optimism towards both future Personal Finances and Business Conditions also fell to record lows. Respondents were also less optimistic in their



willingness to make a big-ticket purchase, with the indicator at the lowest level since June.

Consumer sentiment among the oldest age range, 55-64 year olds, remained broadly stable at 109.6 after falling to a record low of 109.2 in November. Sentiment towards current Personal Finances improved with optimists outnumbering pessimists. In contrast, expectations for respondents' future financial situation worsened to a new series low. Respondents were less bullish in their long-term expectations for business conditions with the indicator falling 2%, while short-term expectations registered a smaller decline.

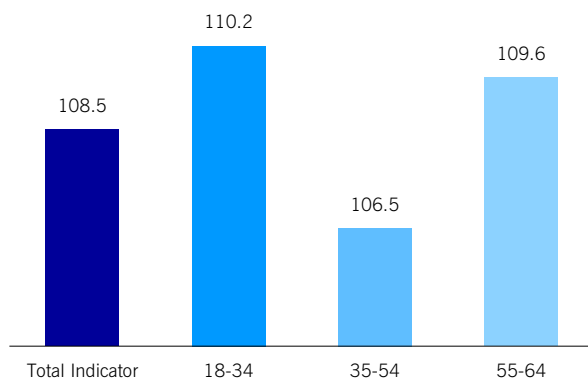
Income

Consumer sentiment fell in both the lower and higher income groups to their respective series lows.

The Consumer Indicator for households with an average annual income under Rs. 432,000 fell to 103.6 in December from 111.7 in November. All five components of the Consumer Indicator fell, with the Current Indicator down to a level below 100 while the Expectations Indicator fell to a series low, though above the 100 breakeven level. Consumers became pessimistic about their current Personal Finances again and were less hopeful about their finances in the coming 12 months. Respondents were also more downbeat in their short- and long-term outlook for business conditions.

For households with an average annual income over Rs. 432,000, the Consumer Indicator fell to 113.5 in December from 122.2 in November. Consumers were less content with their current personal financial situation, resulting in a re-evaluation of their willingness to purchase big-ticket items. Respondents were less optimistic about personal finances in the next 12 months, while expectations for business conditions in a year's time fell significantly to hit a series low.

Consumer Indicator: Age Groups



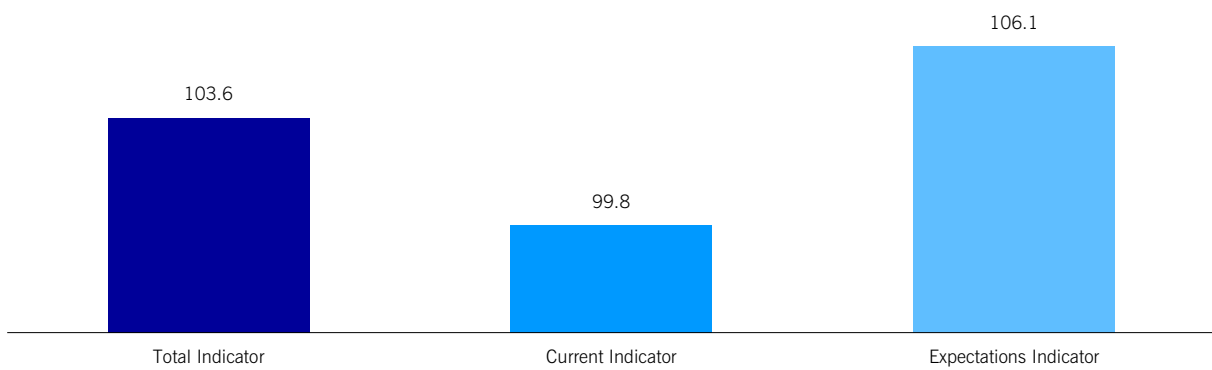
While sentiment among the higher income group has remained above lower income households historically, the gap between them has eased in recent months. Still, sentiment for the higher income bracket has averaged 127.6 since the start of the survey while for lower income households it is 118.9.

MNI India Consumer Indicator

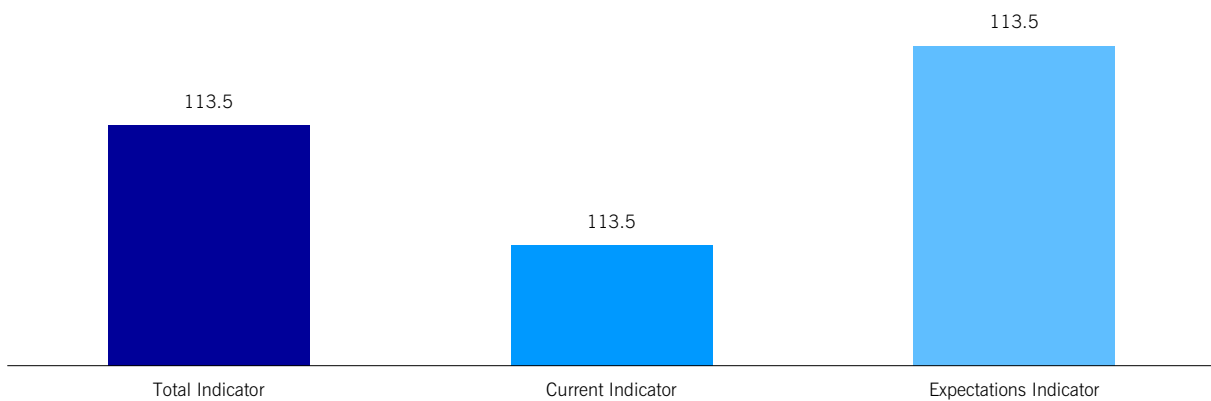
Income Groups



< Rs. 432,000 per annum



> Rs. 432,000 per annum



MNI India Consumer Indicator

Main Cities



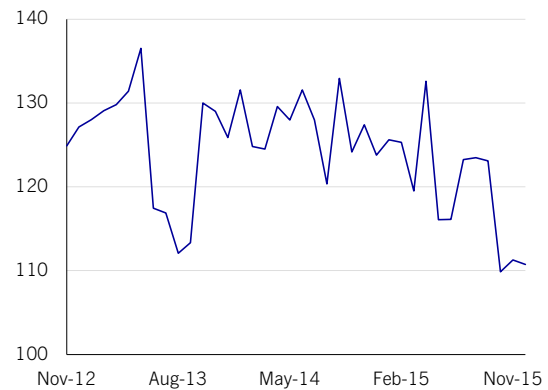
Consumer sentiment fell in eight of the 10 major Indian cities surveyed in December.

In Mumbai, India's most populous city, consumer sentiment fell slightly to 110.8 in December from 111.3 in November. Residents of the city had low expectations for business conditions in a year's time, with the indicator declining 4% to the lowest since August 2013. In contrast, respondents revised up their long-term expectations for business conditions. Consumers were also less willing to buy big-ticket items, with the Durable Buying Conditions Indicator falling to the lowest since July.

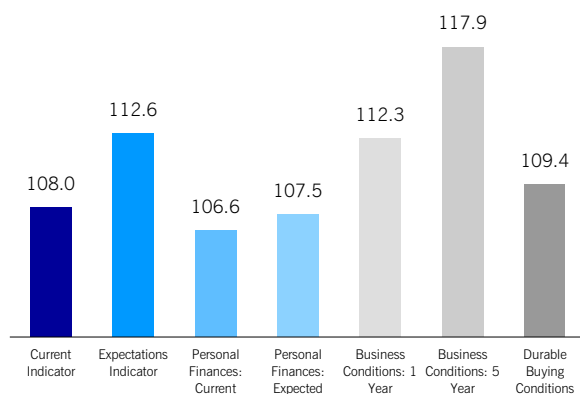
In the capital, Delhi, consumer sentiment fell sharply to 97.1 in December from 113.0 in November. This is the first time the indicator has fallen below the 100 level, suggesting that pessimists outnumbered optimists in the city for the first time in at least three years. All five components of the Consumer Indicator declined, with three of them hitting record lows. Respondents were not happy about their current financial situation and did not expect it to improve in the next 12 months either. The Current Personal Finances Indicator fell almost 20% to a series low of 84.5 while the expectations measure fell 11.3% to the exact 100 level, the lowest level since July 2013. There were double-digit declines in both measures of future business conditions, with respondents turning pessimistic in their short-term expectations.

Consumer confidence in Bengaluru, the third largest city by population in India, fell to 107.8 from 121.8 in November, the lowest since January 2014. All five components of the Consumer Indicator fell in December. Sentiment towards current Personal Finances weakened considerably, with the indicator falling below the 100 neutral level and expectations for finances in 12 months' time reduced to the lowest level since January 2014. Significantly more respondents also revised down their expectations for future business conditions.

Consumer Indicator - Mumbai



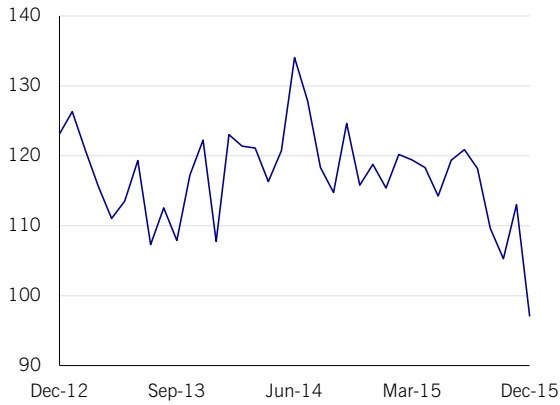
Consumer Indicator Components - Mumbai



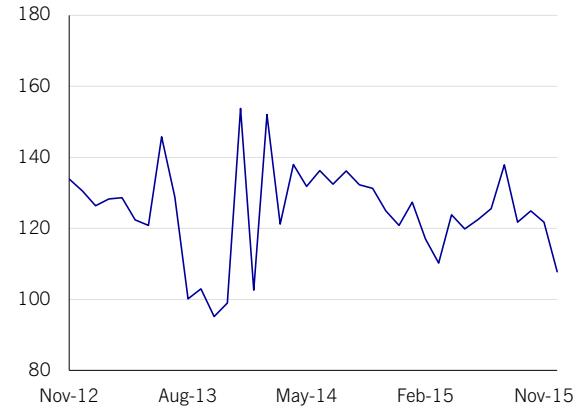
In December, there was a rise in confidence among residents of Hyderabad with the indicator increasing to 113.5, the highest since October. Apart from the Durable Buying Conditions Indicator, all other components of the Consumer Indicator rose. Consumers were more confident about their personal financial situation, but this did not encourage them to purchase large household items.



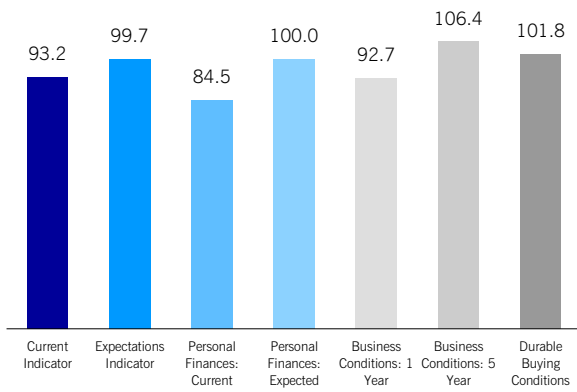
Consumer Indicator - Delhi



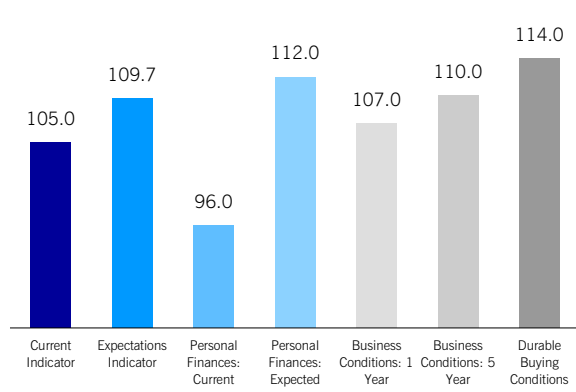
Consumer Indicator - Bengaluru



Consumer Indicator Components - Delhi



Consumer Indicator Components - Bengaluru



Personal Finances Record Low



Sentiment towards both current personal finances and year-ahead expectations plummeted to record low levels.

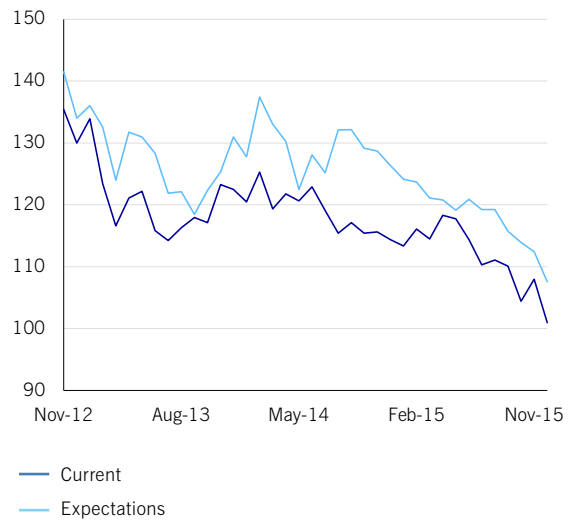
The Current Personal Finances Indicator, which measures whether a household is better or worse off financially than a year ago, fell to 101.0 in December from 108.0 in November. Consumers' perception of finances has been eroded significantly since May and the latest decline leaves the indicator 14.3% below the series average and 11.7% lower than it was in December 2014.

Of those who reported that their finances had deteriorated this month, the highest proportion attributed it to higher family expenses while a growing proportion cited worse employment conditions.

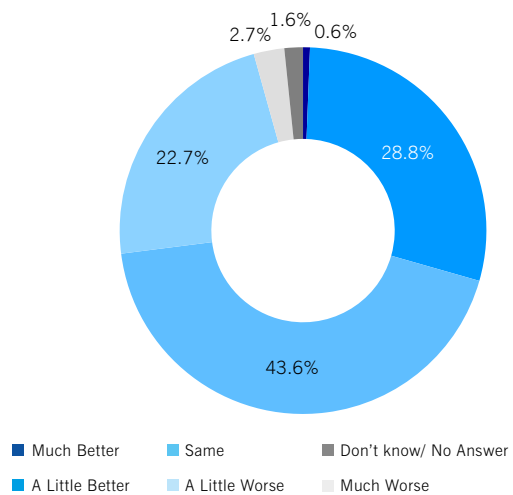
Consumers' expectations for future household finances have plummeted since August 2014. In December, the indicator for Expected Personal Finances fell to a new record low of 107.6 from 112.4 in November. While monetary policy works with a lag, our survey respondents have failed to see any benefit in their finances from the 125 basis point cut in the policy rate since January and respondents do not see any improvement coming any time soon.

Among those who had a poor perception of personal finances, household expenses were cited as the main reason, although with inflation at a relatively low level when compared with historical standards, it is quite surprising to see such negativity. One possible explanation could be the fall in the price of gold, with the precious metal a key source of savings for Indian households.

Personal Finances



Current Financial Situation Compared with 1 Year Ago (% of Households)



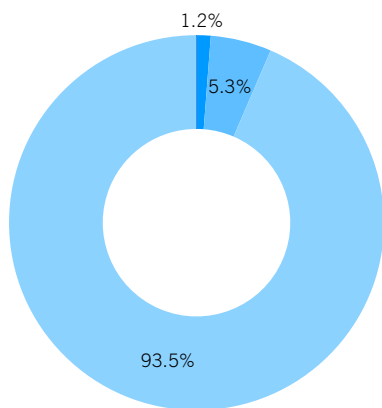
Personal Finances

	Oct-14	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Current	114.4	110.3	111.1	110.1	104.4	108.0	101.0
Expectations	126.3	119.3	119.3	115.7	113.9	112.4	107.6

How Households Spend their Money

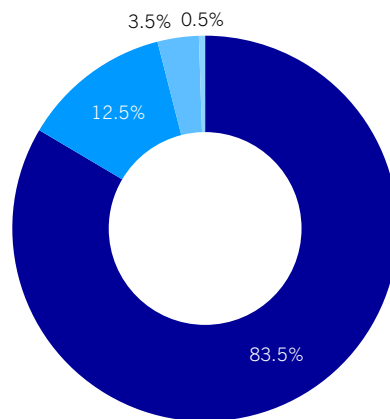


Monthly Household Income Used for Daily Expenses (% of Households)



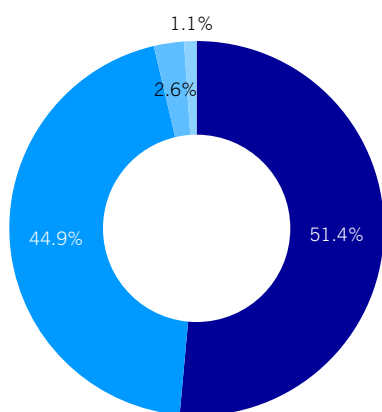
- 0% - 29% of Income
- 30% - 49% of Income
- 50% - 69% of Income
- 70% - 100% of Income

Monthly Household Income Used for Large Loan Repayment (% of Households)



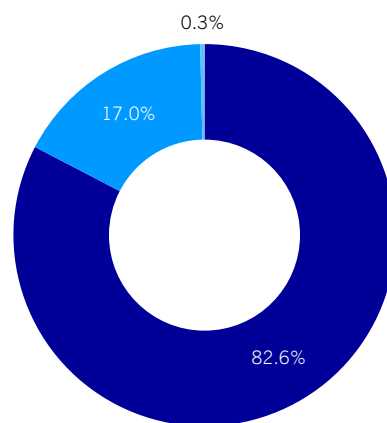
- 0% of Income
- 1% - 29% of Income
- 30% - 49% of Income
- 50% - 100% of Income

Monthly Household Income Used for Savings (% of Households)



- 0% of Income
- 1% - 29% of Income
- 30% - 49% of Income
- 50% - 100% of Income

Monthly Household Income Used for Investments (% of Households)



- 0% of Income
- 1% - 29% of Income
- 30% - 49% of Income
- 50% - 100% of Income

Just above a quarter
of respondents
thought current
business conditions
were worse than they
were a year ago...

...while 40% of respondents thought they were only
fair.

Business Conditions Record Low



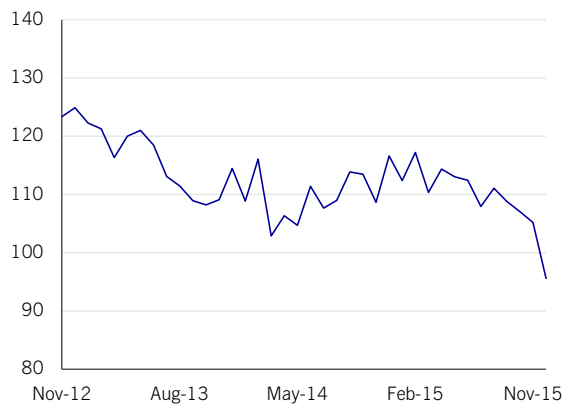
Consumers revised down their future expectations for business conditions and were the most downbeat on record in their perception of the current business situation in December.

The Current Business Conditions Indicator fell for the fourth consecutive month to 95.6 in December from 105.2 in November. This is the first time the indicator has fallen below the 100 neutral level, indicating that pessimists now outnumber optimists. Just above a quarter of respondents thought current business conditions were worse than they were a year ago, while 40% of respondents thought they were only fair.

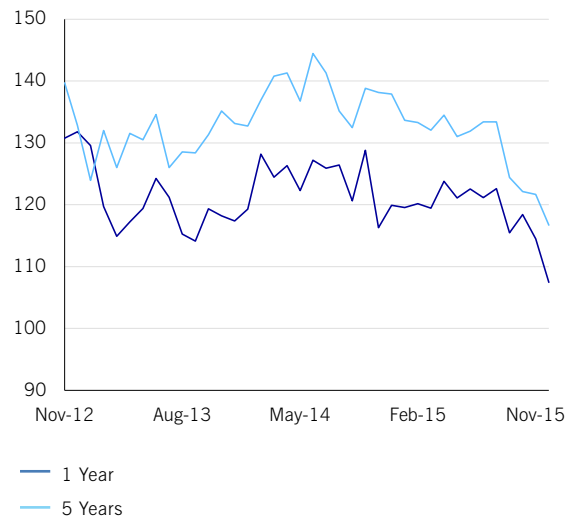
Since the start of the year, business confidence has been trending down. While sentiment rose when the Modi government was elected in 2014, a lack of effective policies to support business looks to have weighed on sentiment. Our monthly business survey paints a similar picture with business confidence in December plummeting to the lowest since February 2014.

Subsequently, respondents have revised down their expectations for future business conditions with the indicator for Business Conditions in One Year falling to 107.4, the lowest level in the survey's history. Of those who were less optimistic about business conditions in the coming year, the majority of respondents attributed it to economic development. The continued weakness in views on the business environment add to the list of other indicators which cast some doubt over the strength of the recent GDP figures.

Current Business Conditions Indicator



Expected Business Conditions: 1 Year and 5 Years



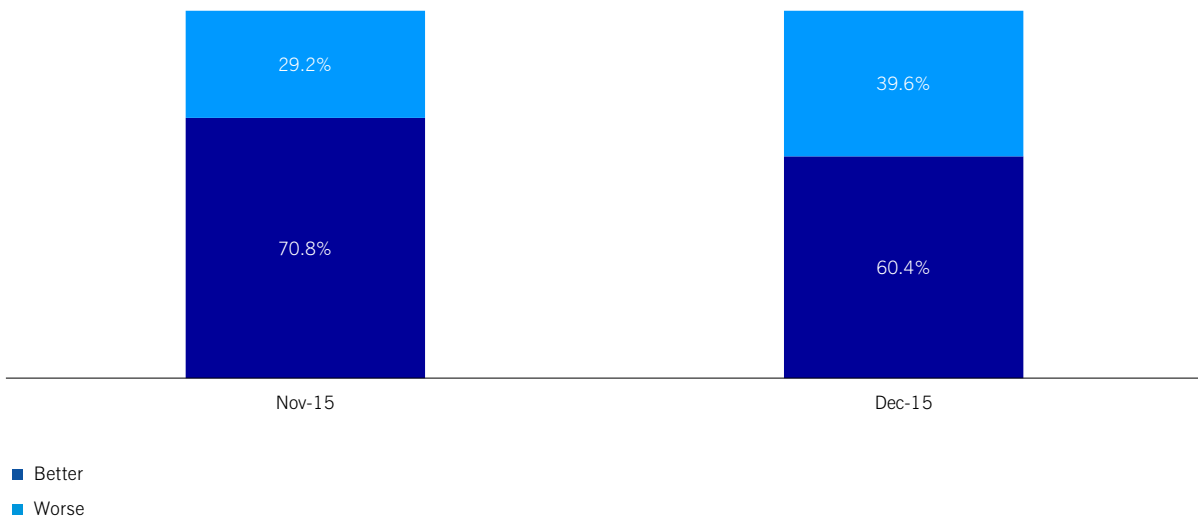
Business Conditions

	Oct-14	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Current	116.6	107.9	111.0	108.8	107.0	105.2	95.6
In 1 Year	119.9	121.1	122.6	115.5	118.4	114.5	107.4
In 5 Years	137.9	133.4	133.4	124.4	122.1	121.7	116.7

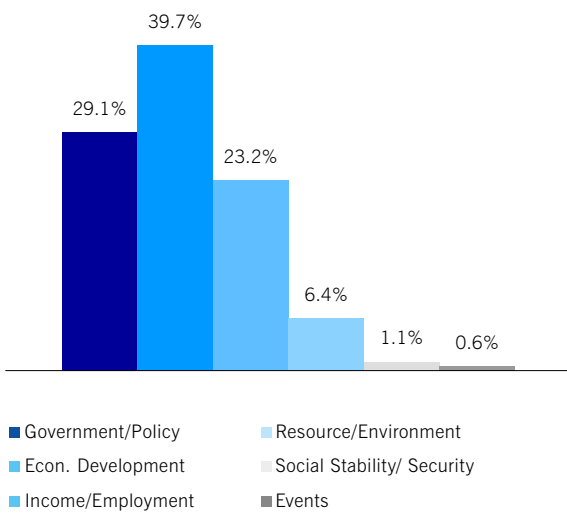
Business Conditions in 1 Year Selected Reasons



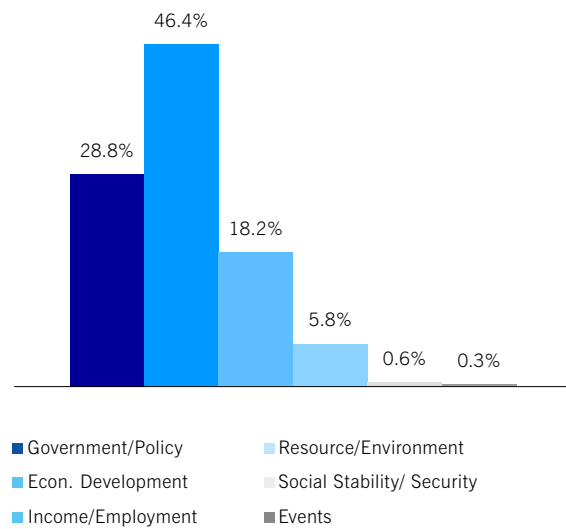
All India



All India, Reasons for Better



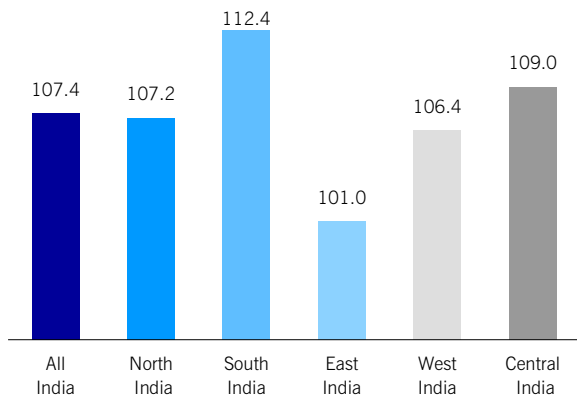
All India, Reasons for Worse



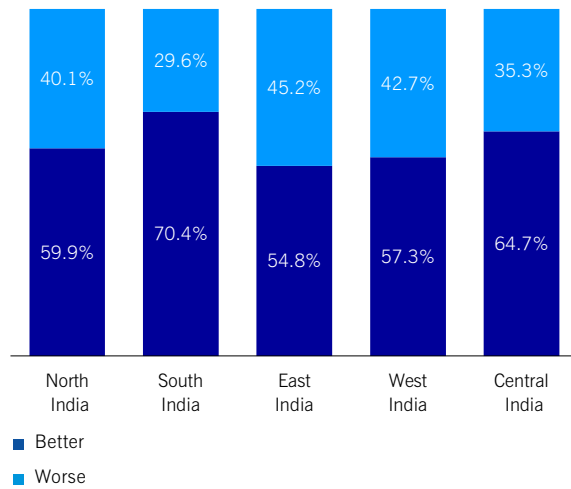
Business Conditions in 1 Year Regions



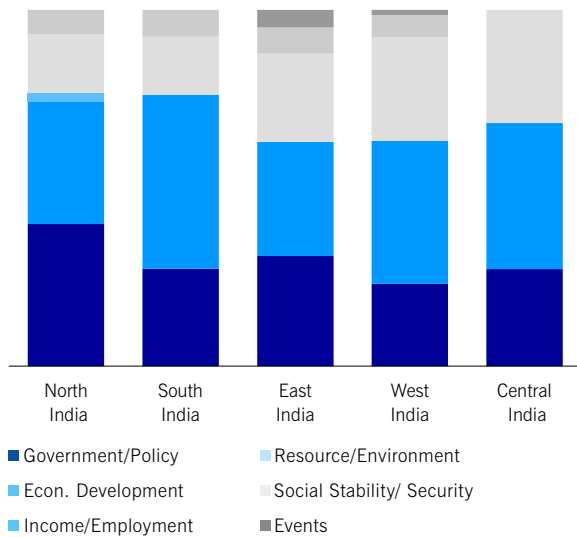
Business Expectations



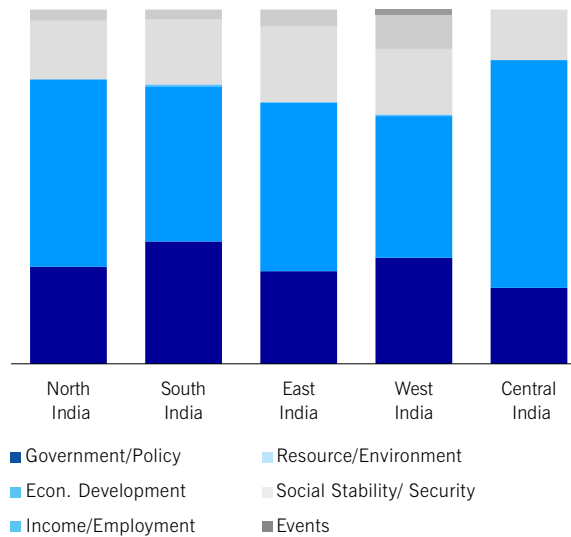
Business Expectations: Better or Worse?
(% of Respondents)



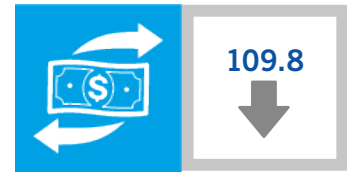
Reasons for Better (% of Respondents)



Reasons for Worse (% of Respondents)



Durable Buying Conditions Lowest Since August

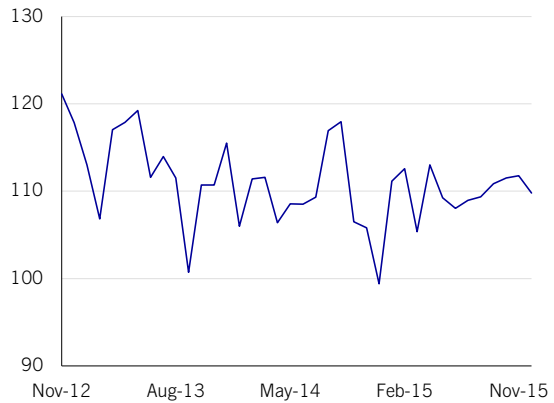


Consumers' willingness to purchase big-ticket items fell to the lowest level since August.

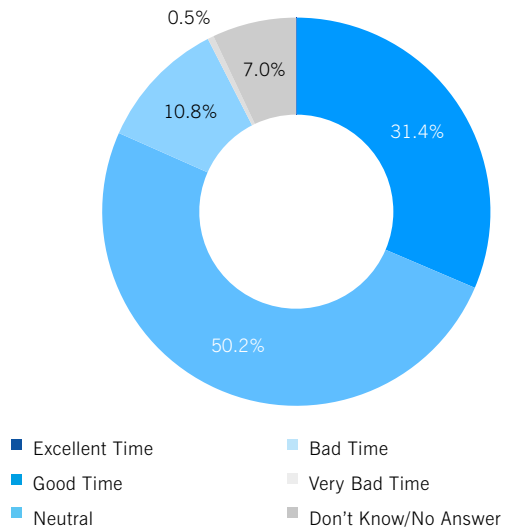
The Durable Buying Conditions Indicator measures consumers' willingness to purchase a large household good and provides a guide to overall consumer spending. It fell for the first time in six months in December to 109.8 from 111.8 in the previous month. In spite of the fall, it remains the only indicator that has shown signs of resilience this year, although we will need to assess this in the coming months when seasonal effects subside.

Consumers' purchase sentiment has improved since it hit a record low in December last year and it is now 10.4% higher on the year and a touch above last year's average. With the festival period occurring in the last quarter of the year, it positively impacted consumers' willingness to purchase big ticket items, as evidenced by the rise in the Durable Buying Conditions Indicator to 111.0 in Q4, the highest since the quarter ending September 2014.

Durable Buying Conditions



Is It a Good or Bad Time to Buy Large Household Goods? (% of Households)



Durable Buying Conditions

	Dec-14	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
Durable Buying Conditions	99.4	109.0	109.3	110.8	111.5	111.8	109.8

Employment Outlook Record Low



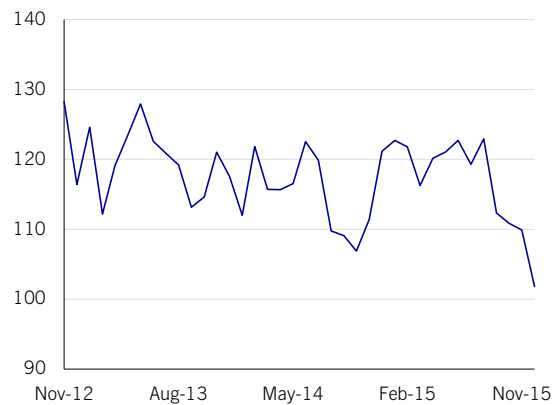
Respondents' outlook for employment weakened for the fourth consecutive month to the lowest level in the survey's history.

The Employment Outlook Indicator fell to 101.8 in December from 109.9 in November as a third of respondents expected the job market to worsen over the next 12 months.

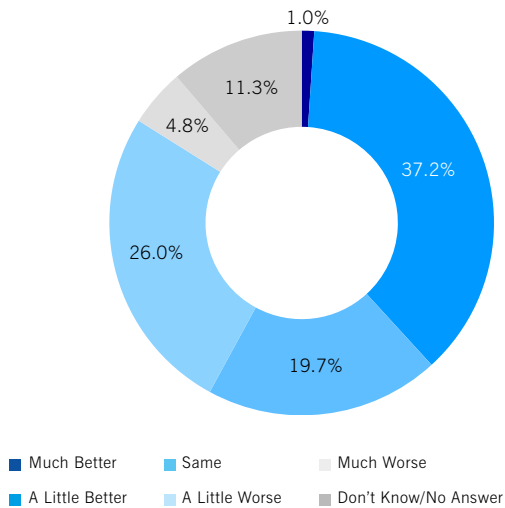
Consumers' expectations for the job market improved significantly early in the year but having remained elevated until August, expectations have fallen significantly. This month's decline placed the indicator 17% below the level it was in January. Looking deeper into the survey's history, which began in November 2012, it is evident that expectations usually fall in the second half of the year but the pace of decline this year has been alarming. The fourth consecutive monthly decline has put the quarterly average at the lowest level in the survey's history.

The outlook for employment declined in all regions in December among which residents from East, North and Central India became pessimistic in their views as evidenced by a decline in the indicator below 100. Respondents from East India were the most pessimistic and the indicator there declined 16.5% to the lowest since January 2014. In South India, the outlook for employment eased slightly but it was enough to push it down to a record low level.

Employment Outlook Indicator



Employment Outlook for the Next 12 Months (% of Households)



Employment Outlook

	Dec-14	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
Employment Outlook	121.1	119.3	122.9	112.3	110.8	109.9	101.8

Respondents were
divided in their
expectations for how
much prices will rise
over the next 12
months...

...with the majority expecting prices to rise 5%.

Prices Sentiment

Dissatisfaction Rises



Dissatisfaction with the current level of prices increased in December, while consumers' expectations for inflation for the coming 12 months remained broadly stable.

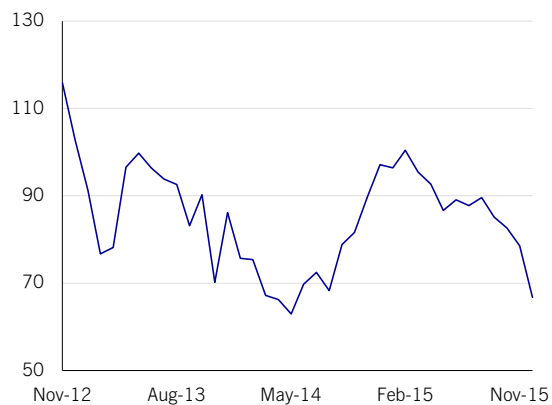
The indicator measuring satisfaction with the current level of prices fell for the fourth consecutive month to 66.8 from 78.6 in November, the lowest outturn since May 2014. A figure below 100 indicates wider dissatisfaction, while an outturn above 100 shows increasing satisfaction. With India having been plagued by high inflation for years, the indicator has been above 100 for only three months since the survey started in November 2012.

Official data showed that consumer price inflation rose to 5.4% in November from 5% in October, the highest since September 2014. Food price inflation, which makes up 47.25% of the CPI basket, rose sharply to 6.1% on the year from 5.3% in October, the highest in eight months. While prices of vegetables were up 4%, that of pulses accelerated at a bumper rate of 46.1%.

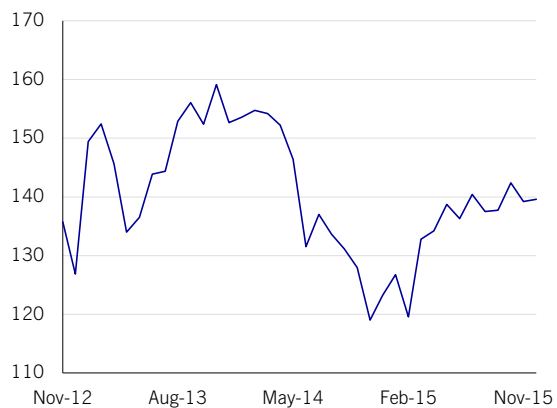
Higher discontent with current prices has usually been matched by rising inflation expectations. However, in December, the Inflation Expectations Indicator remained broadly stable at 139.6 compared with 139.2 in the previous month.

The MNI Inflation Expectations Indicator has closely followed the trend in the RBI's Inflation Expectations Survey of Households, showing a pick-up in expectations since the start of the year. In our survey, respondents were divided in their expectations for

Satisfaction with Current Prices Indicator



Inflation Expectations Indicator



Prices Sentiment

	Dec-14	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
Satisfaction with Current Prices	97.1	87.7	89.6	85.1	82.7	78.6	66.8
Inflation Expectations	123.2	140.4	137.5	137.7	142.4	139.2	139.6

Prices Sentiment Regions



how much prices will rise over the next 12 months, with the majority expecting prices to rise 5%. Almost a quarter of respondents were uncertain about the rate of growth in prices in the coming 12 months.

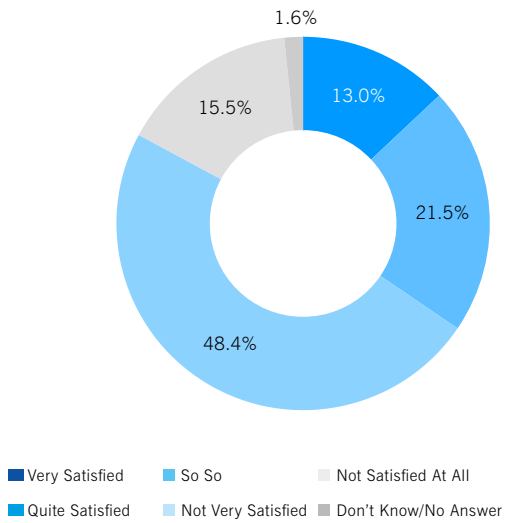
Regions

Dissatisfaction with Current Prices rose in all regions in December.

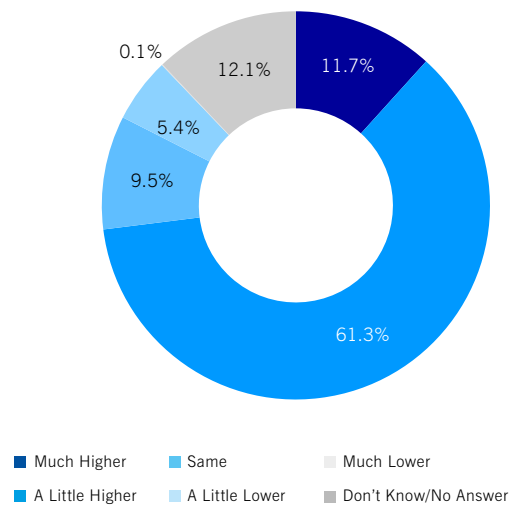
Consumers in Central India were the most dissatisfied with current prices, as shown by a 32.4% drop in the Current Prices Satisfaction Indicator to 55.0, the lowest since August 2014. More consumers expected inflation to build with the Inflation Expectations indicator rising to the highest level in six months.

Consumers in East India were more dissatisfied with prices in December, as evidenced by a steep fall in the indicator to 62.8 from 87.3 in November. Consumer expectations for prices in the next 12 months fell slightly but remained at an elevated level with almost 13% of respondents expecting prices to rise by 11-24% in the next 12 months.

Satisfaction with Current Prices
(% of Households)

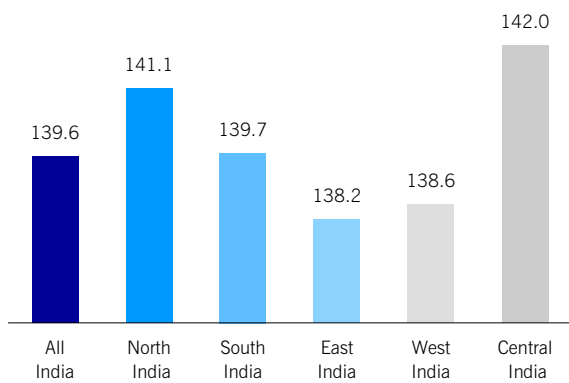


Inflation Expectations in 12 Months
(% of Households)

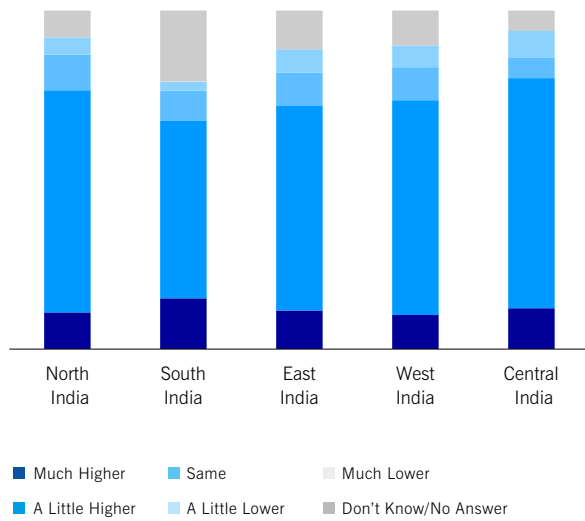




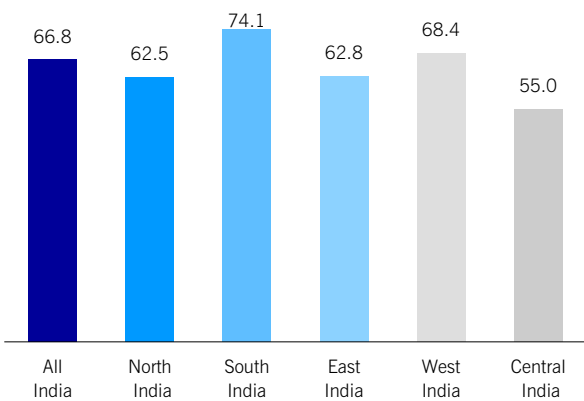
Inflation Expectations Indicator



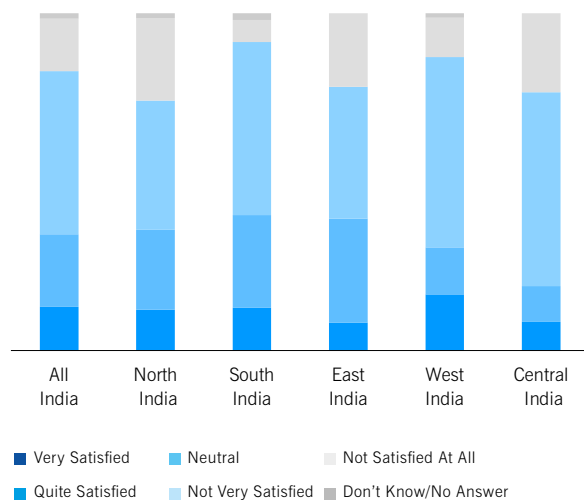
Inflation Expectations in 12 Months (% of Households)



Satisfaction with Current Prices Indicator



Satisfaction with Current Prices (% of Households)



Interest Rate Expectations Lowest Since August 2014

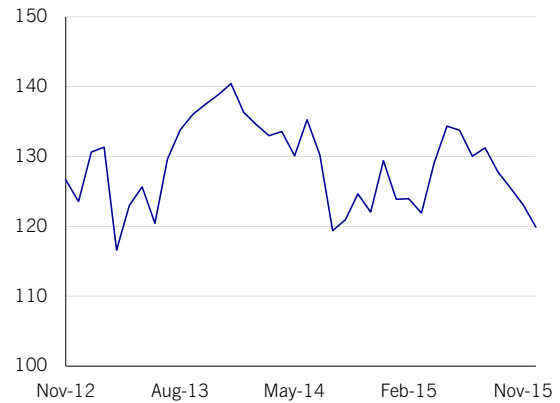


The Interest Rates Expectations Indicator fell to 119.9 in December from 123.1 in November, the lowest since August 2014.

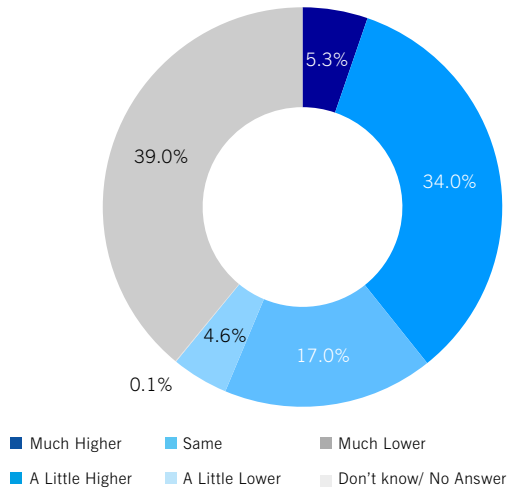
Less than 40% of respondents expected interest rates on car and house loans to rise in the next 12 months while an almost equal proportion were unsure of the outcome. The indicator averaged 122.9 in Q4, the lowest level in the history of the survey.

The RBI has cut benchmark interest rates four times since Raghuram Rajan took over as the Governor of the Reserve Bank of India, having successfully overseen a significant fall in inflation following his appointment in September 2013. In a statement following the latest monetary policy meeting, the RBI urged more commercial banks to pass on earlier rate cuts and bring lending rates down. This has probably underpinned consumers' expectations about interest rates on car and home loans over the next 12 months.

Interest Rate Expectations Indicator



Expected Change in Interest Rate in 1 Year (% of Households)



Interest Rate Expectations

	Dec-14	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
Interest Rate Expectations	129.4	130.1	131.2	127.8	125.5	123.1	119.9

Real Estate Investment Indicator Lowest Since March



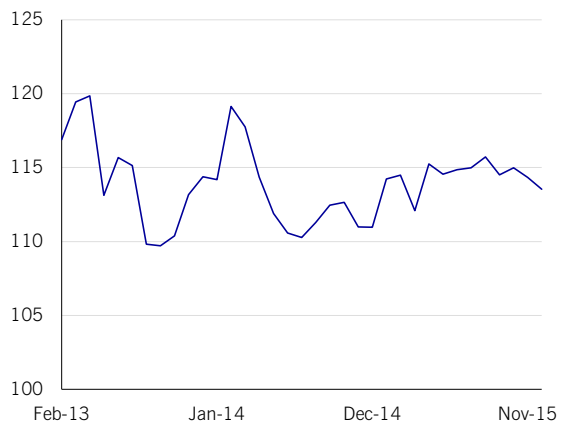
The Real Estate Investment Indicator, which is made up of three components (House Price Expectations, House Buying Sentiment and House Selling Sentiment), fell slightly to 113.5 in December from 114.3 in November.

The Real Estate Investment Indicator is one of the few indicators in the survey that has shown a slight uptick over the last year on the back of growing house price expectations. Even so, house buying sentiment has remained anaemic as respondents still see it as a bad time to purchase a house.

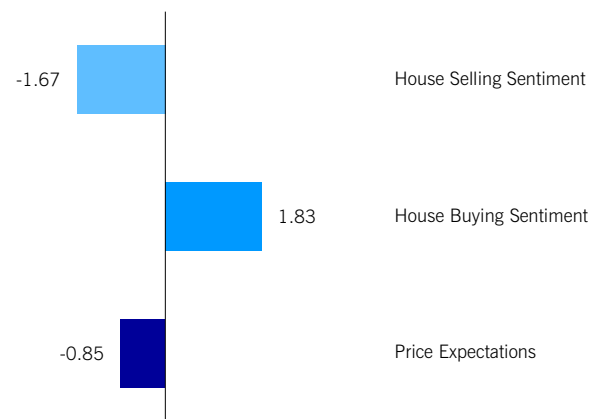
The House Price Expectations component eased for the second consecutive month to 148.6 in December from 151.5 in November, the lowest level since November 2014. Expectations trended upwards for most of the last year until May this year, having slightly eased thereafter.

House Buying Sentiment, a measure of whether it is a good or bad time to buy a home in the next six months, rose to 93.8 in December from 87.6 in November, the highest in 10 months. The indicator has remained below 100 since May 2014, indicating that pessimists outnumber optimists, with the majority attributing lower willingness to purchase a house to high property prices. While the Reserve Bank of India has cut official interest rates four times this year, housing sentiment has yet to receive a significant boost. With the RBI urging banks to further lower their lending rates, it is expected to ease EMIs (equated monthly instalments) for home loans and subsequently boost sentiment among those looking to buy a house.

Real Estate Investment Indicator



Real Estate Investment Indicator: Contribution to Monthly Change (% pt.)



Real Estate Investment Sentiment

	Dec-14	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
Real Estate Investment Sentiment	111.0	115.0	115.7	114.5	115.0	114.3	113.5
Price Expectations	154.2	152.4	149.9	148.8	152.3	151.5	148.6
House Buying	89.3	93.3	93.0	89.7	89.8	87.6	93.8
House Selling	110.7	100.8	95.7	95.0	97.1	96.0	101.8



Real Estate Investment Indicator

Components and Balances

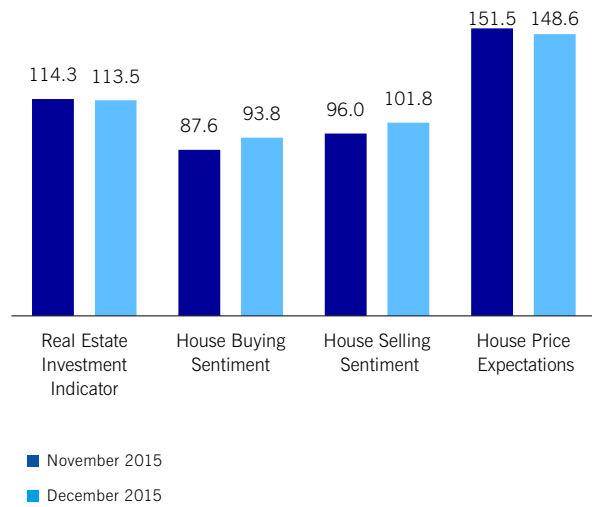
House Selling Sentiment, a measure of whether it is a good or bad time to sell a house in the next six months, rose to 101.8 in December from 96.0 in November.

Regions

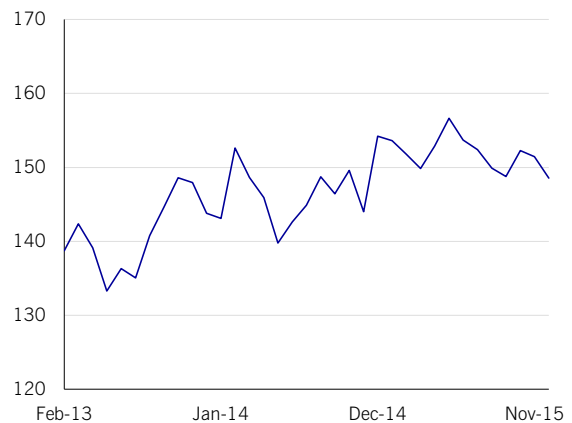
Sentiment surrounding the real estate market rose only in South and Central India in December. The Real Estate Investment Indicator in South India rose to a three-month high of 113.8. The December rise was driven by a rise in House Price Expectations to a record high level while House Buying Sentiment was also boosted but still pessimists outnumbered optimists.

The Real Estate Investment Indicator in Central India rose 2.2% to 112.3 in December. The increase was led by a sharp jump in House Buying Sentiment while fewer respondents expected property prices to rise in the next six months.

Real Estate Investment Indicator - Components

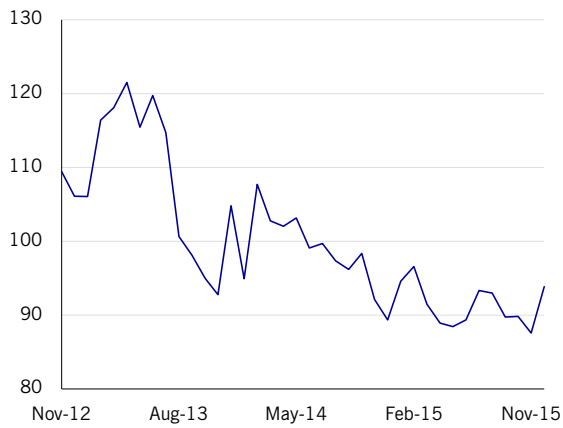


Real Estate Prices: Expected Changes in Next 6 Months

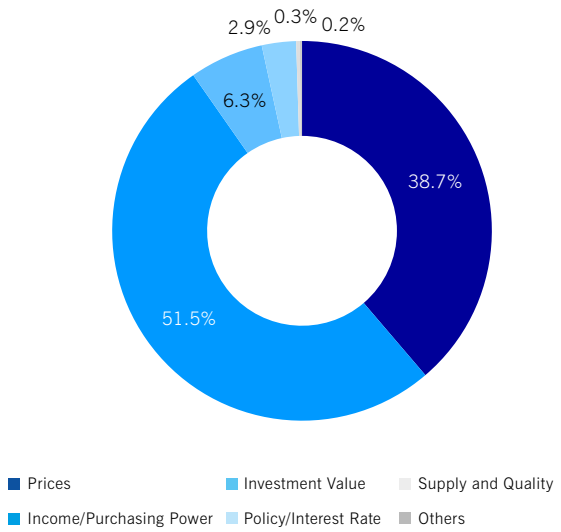




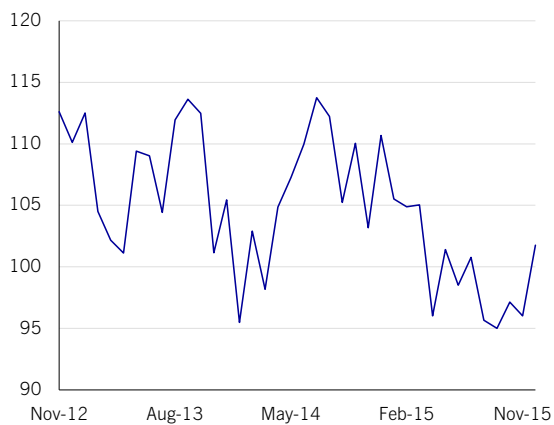
House Buying Sentiment



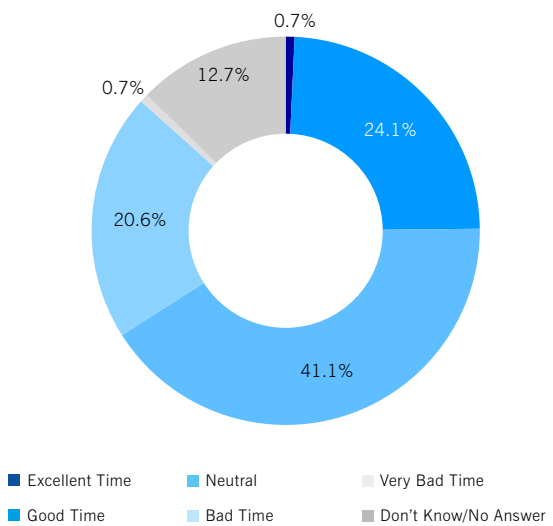
Reasons for Buying Houses (% of Households)



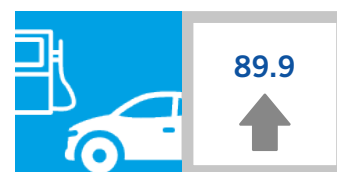
House Selling Sentiment



Timing for Selling Houses (% of Households)



Car Purchase Indicator Highest Since September



Consumers' willingness to purchase a car rose in December while expectations for gasoline prices eased, leading to a rise in the Car Purchase Indicator to 89.9 in December from 87.2 in November.

The Car Purchase Indicator is made up of two components, Car Purchase Expectations and Price of Gasoline Expectations, with a rise in the latter having a negative impact on the indicator.

Since hitting a series high in February, the Car Purchase Indicator trended down thanks to a rapid climb in gasoline price expectations before the global glut in oil took its toll in July and fuel price expectations fell back. However, consumers' willingness to purchase a car has remained more-or-less stable throughout.

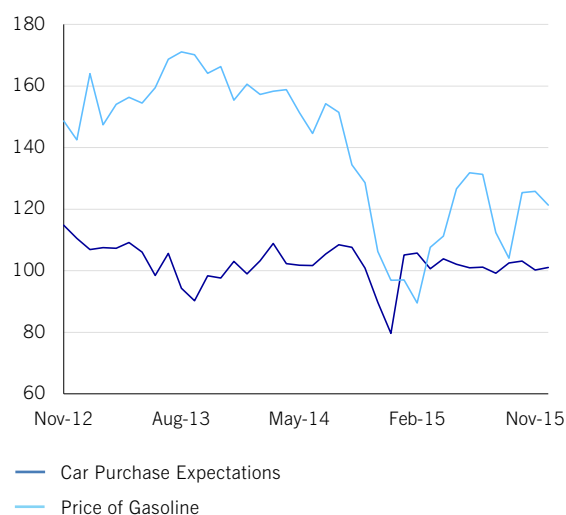
The Car Purchase Expectations component, which gauges whether consumers believe it is a good or bad time to purchase a car over the next 12 months, rose to 101.1 in December from 100.3 in November, the fourth month in expansionary territory.

Of those who felt it was a good time to purchase a car, almost 40% of consumers gave credit to attractive interest rates. In the last monetary policy review on December 1, where the RBI left the key repo rate unchanged, the Governor urged banks to pass on the previous rate cuts and lower their base rates, which would see car and home loans become cheaper. The survey evidence is a possible testament to better transmission of interest rate cuts to consumers.

Car Purchase Indicator



Car Purchase Indicator - Components



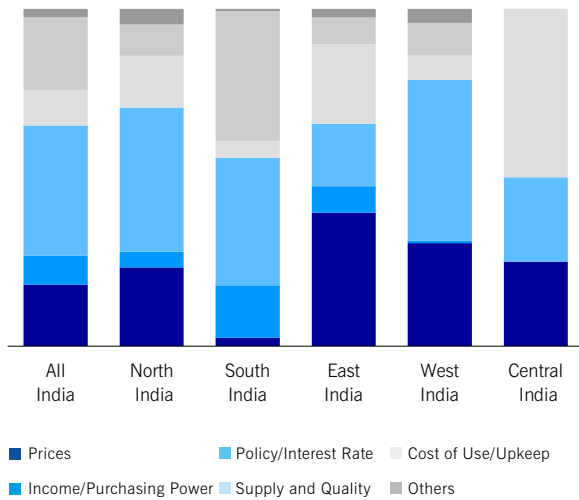
Car Purchase Sentiment

	Dec-14	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
Car Purchase Sentiment	91.4	84.9	93.4	99.2	88.9	87.2	89.9
Car Purchase Expectations	79.7	101.1	99.2	102.6	103.2	100.3	101.1
Price of Gasoline	96.9	131.3	112.4	104.1	125.4	125.8	121.3

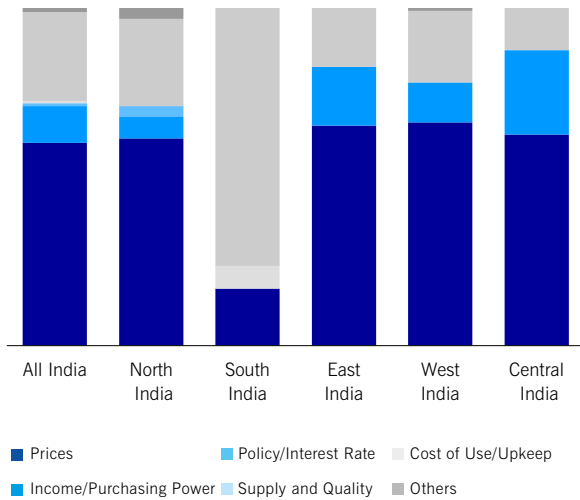
Car Purchase Indicator Regions



Reasons for a Good Time to Buy a Car (% of Households)

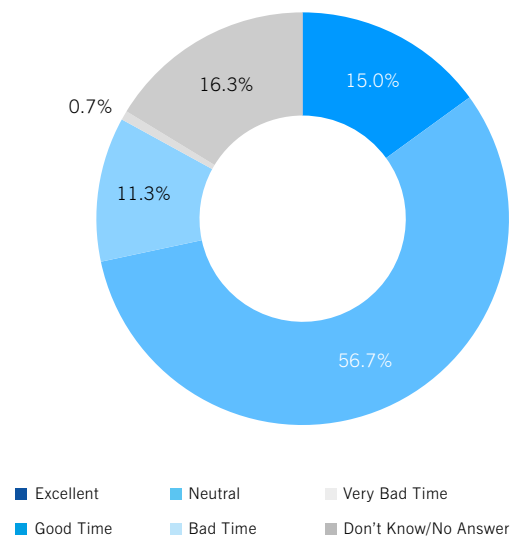


Reasons for a Bad Time to Buy a Car (% of Households)



Expectations for the Price of Gasoline have followed India's fuel price inflation and global oil prices with the former hitting a record low in February before recovering again. With prices under pressure again, consumers' expectations for the price of fuel fell to a three-month low of 121.3 in December from 125.8 in November.

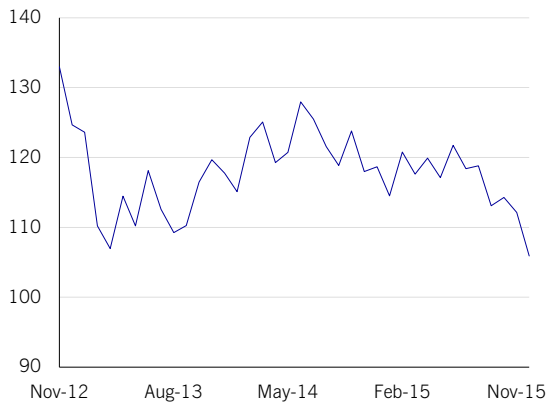
Is it a Good Time to Buy a Car? (% of Households)



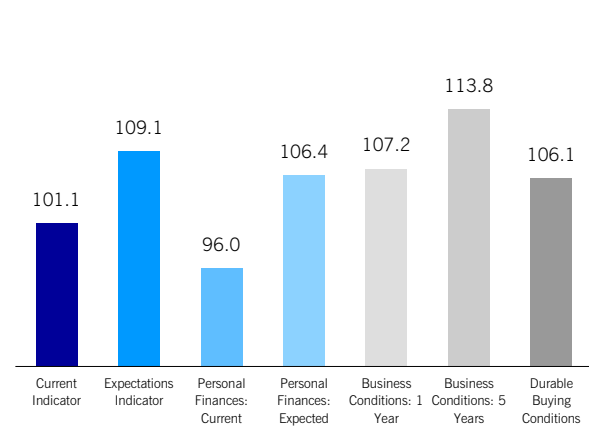
MNI India Consumer Indicator Regions



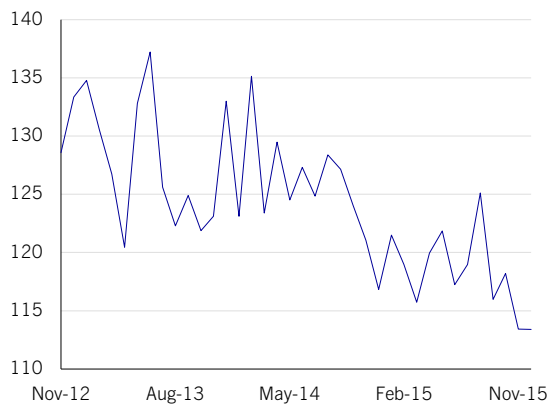
Consumer Indicator: North India



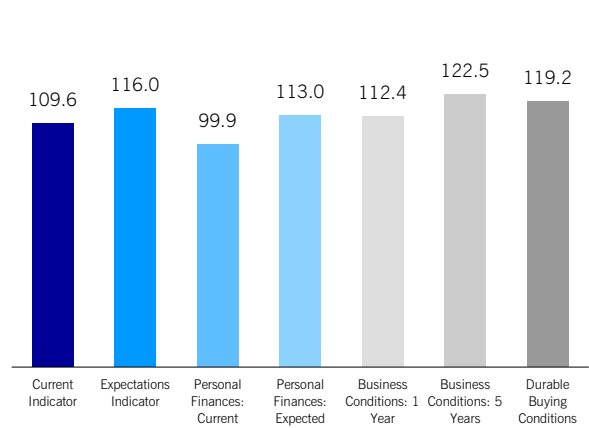
Consumer Indicator Components: North India



Consumer Indicator: South India

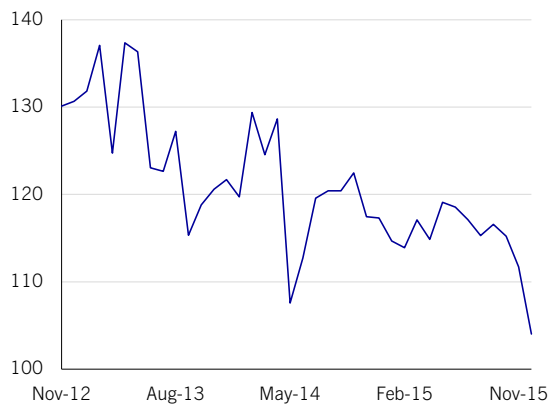


Consumer Indicator Components: South India

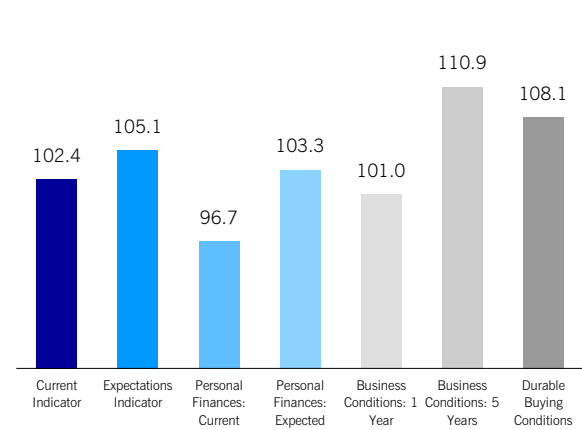




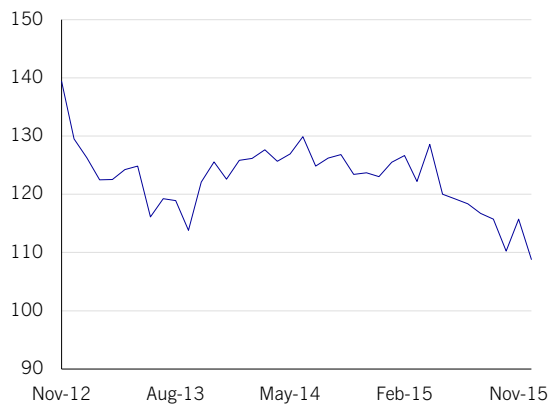
Consumer Indicator: East India



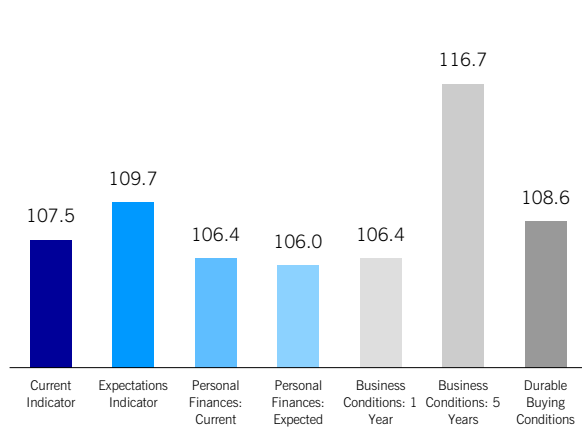
Consumer Indicator Components: East India



Consumer Indicator: West India

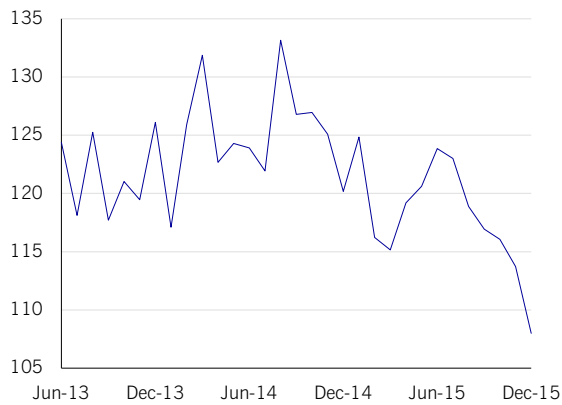


Consumer Indicator Components: West India

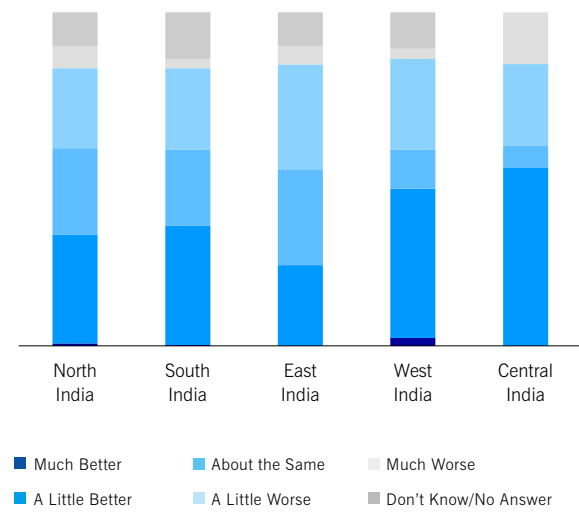




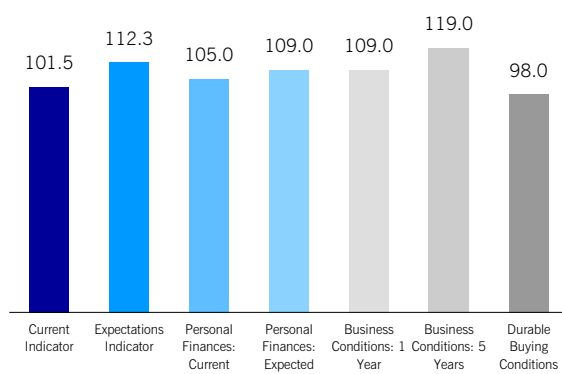
Consumer Indicator: Central India



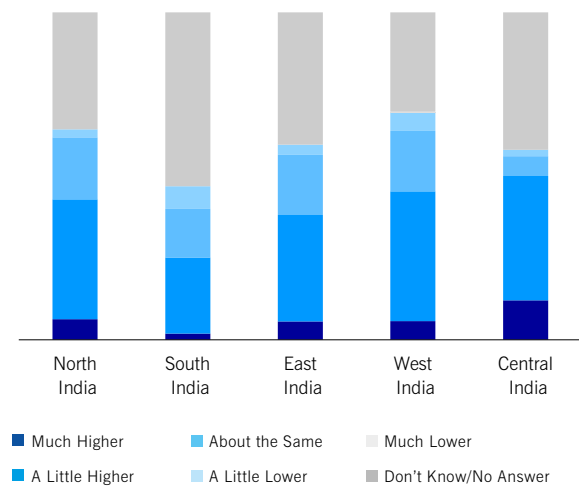
Employment Outlook for the Next 12 Months (% of Households)



Consumer Indicator Components: Central India

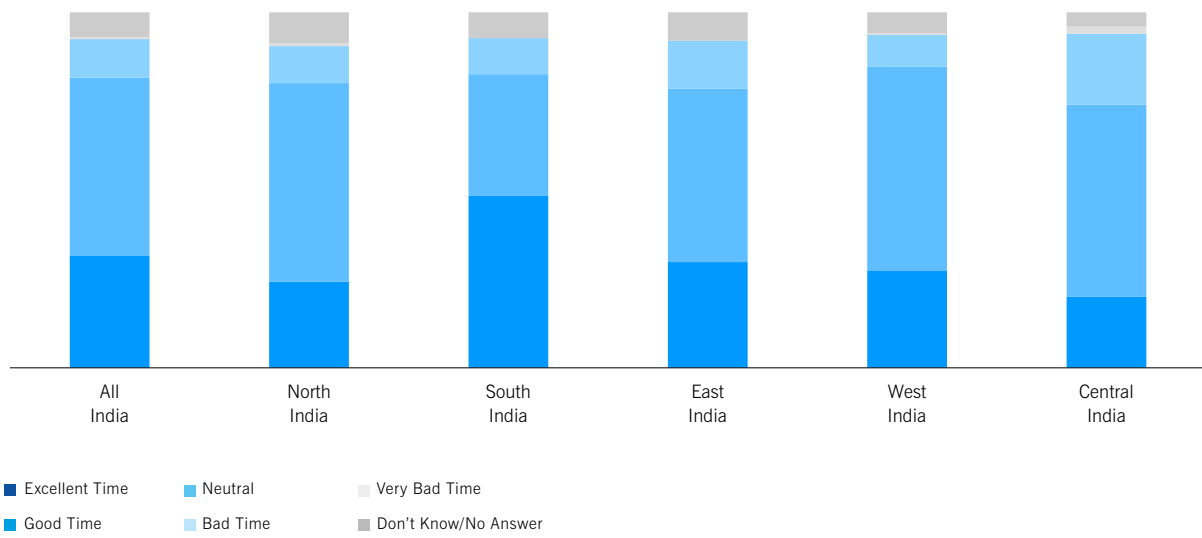


Interest Rate Expectations on House and Car Loans Indicator (% of Households)

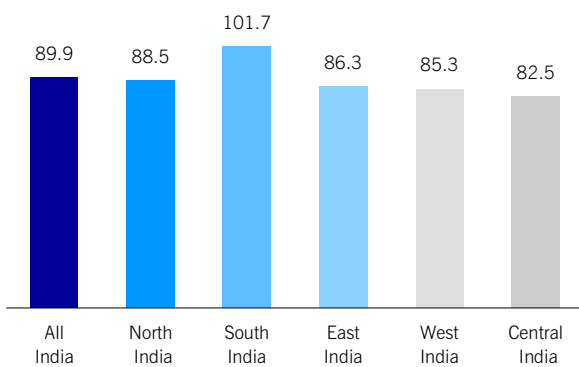




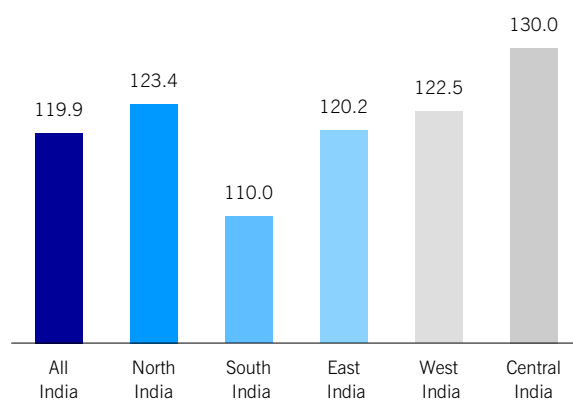
Is it a Good/Bad Time to Buy Large Household Goods? (% of Households)



Car Purchase Indicator - Regions



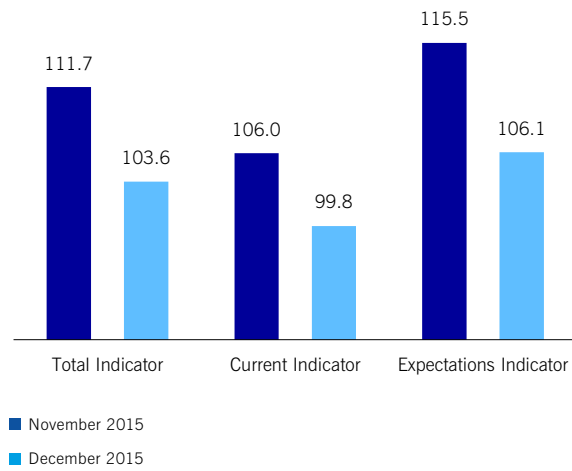
Interest Rates Expectations (% of Households)



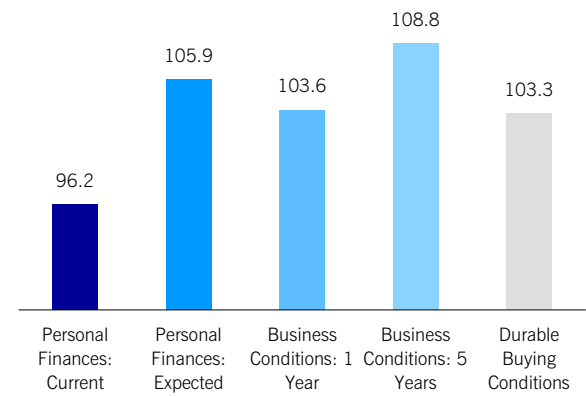
MNI India Consumer Indicator Income Groups



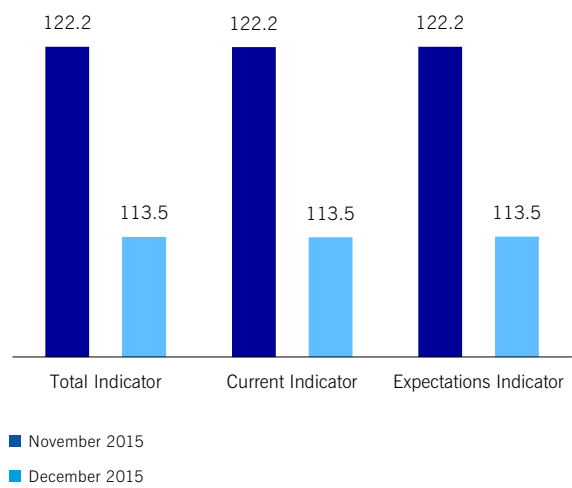
< Rs. 432,000 per annum



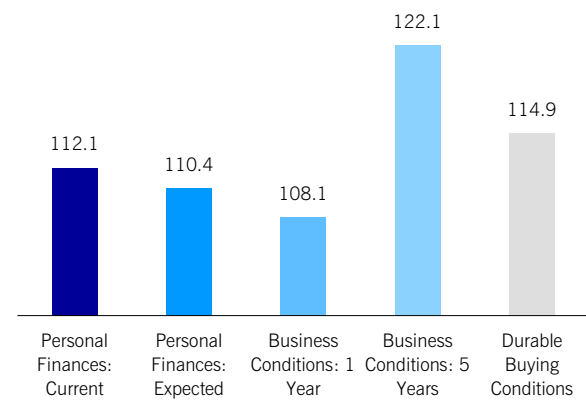
< Rs. 432,000 - Components



> Rs. 432,000 per annum



> Rs. 432,000 - Components



While sentiment among the higher income group has remained above lower income households historically...

...the gap between them has eased in recent months. Still, sentiment for the higher income bracket has averaged 127.6 since the start of the survey while for lower income households it is 118.9.



Data Tables

A closer look at the data from the December consumer survey.

North India Overview

	Oct-15	Nov-15	Dec-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
North India Consumer Indicator	114.3	112.1	105.9	-	series low	110.8	-6.2	-5.5%
Current Indicator	106.2	108.4	101.1	-	series low	105.2	-7.3	-6.8%
Expectations Indicator	119.7	114.6	109.1	-	May-13	114.5	-5.5	-4.8%
Personal Finance: Current	106.0	108.5	96.0	-	series low	103.5	-12.5	-11.5%
Personal Finance: Expected	115.6	109.6	106.4	-	series low	110.5	-3.2	-2.9%
Business Condition: 1 Year	122.1	113.9	107.2	-	Aug-13	114.4	-6.7	-5.9%
Business Condition: 5 Years	121.4	120.3	113.8	-	series low	118.5	-6.5	-5.4%
Durable Buying Conditions	106.4	108.4	106.1	-	Aug-15	107.0	-2.3	-2.1%
Current Business Conditions Indicator	105.3	104.5	93.6	-	May-14	101.1	-10.9	-10.4%
Real Estate Investment Indicator	115.5	115.2	113.1	-	Dec-14	114.6	-2.1	-1.8%
Car Purchase Indicator	88.5	85.8	88.5	Sep-15	-	87.6	2.7	3.2%
Employment Outlook Indicator	107.6	106.7	98.4	-	Oct-14	104.2	-8.3	-7.8%
Inflation Expectations Indicator	147.5	145.0	141.1	-	Aug-15	144.5	-3.9	-2.7%
Current Prices Satisfaction Indicator	89.1	74.0	62.5	-	Jul-14	75.2	-11.5	-15.5%
Interest Rates Expectations Indicator	128.3	128.6	123.4	-	Oct-14	126.8	-5.2	-4.0%

South India Overview

	Oct-15	Nov-15	Dec-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
South India Consumer Indicator	118.2	113.4	113.4	-	series low	115.0	0.0	0.0%
Current Indicator	110.5	107.7	109.6	Oct-15	-	109.3	1.9	1.7%
Expectations Indicator	123.3	117.2	116.0	-	series low	118.8	-1.2	-1.1%
Personal Finance: Current	100.8	100.4	99.9	-	series low	100.4	-0.5	-0.4%
Personal Finance: Expected	118.3	115.8	113.0	-	Jun-15	115.7	-2.8	-2.4%
Business Condition: 1 Year	123.6	112.7	112.4	-	Mar-14	116.2	-0.3	-0.3%
Business Condition: 5 Years	128.1	123.2	122.5	-	Jul-13	124.6	-0.7	-0.6%
Durable Buying Conditions	120.2	115.1	119.2	Oct-15	-	118.2	4.1	3.6%
Current Business Conditions Indicator	110.0	109.8	100.1	-	series low	106.6	-9.7	-8.9%
Real Estate Investment Indicator	113.6	111.5	113.8	Sep-15	-	113.0	2.3	2.0%
Car Purchase Indicator	97.1	91.8	101.7	Apr-15	-	96.9	9.9	10.8%
Employment Outlook Indicator	114.0	105.6	103.3	-	series low	107.6	-2.3	-2.2%
Inflation Expectations Indicator	138.6	135.7	139.7	Jul-14	-	138.0	4.0	3.0%
Current Prices Satisfaction Indicator	84.7	83.2	74.1	-	Aug-14	80.7	-9.1	-10.9%
Interest Rates Expectations Indicator	112.1	108.6	110.0	Oct-15	-	110.2	1.4	1.3%

East India Overview

	Oct-15	Nov-15	Dec-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
East India Consumer Indicator	115.2	111.7	104.0	-	series low	110.3	-7.7	-6.9%
Current Indicator	106.7	107.3	102.4	-	series low	105.5	-4.9	-4.6%
Expectations Indicator	120.9	114.7	105.1	-	series low	113.6	-9.6	-8.4%
Personal Finance: Current	103.8	105.2	96.7	-	series low	101.9	-8.5	-8.1%
Personal Finance: Expected	119.7	112.5	103.3	-	series low	111.8	-9.2	-8.2%
Business Condition: 1 Year	121.8	110.6	101.0	-	May-14	111.1	-9.6	-8.7%
Business Condition: 5 Years	121.1	120.8	110.9	-	series low	117.6	-9.9	-8.2%
Durable Buying Conditions	109.6	109.4	108.1	-	Aug-15	109.0	-1.3	-1.1%
Current Business Conditions Indicator	116.5	106.5	88.6	-	series low	103.9	-17.9	-16.8%
Real Estate Investment Indicator	116.6	114.9	111.0	-	Mar-15	114.2	-3.9	-3.4%
Car Purchase Indicator	83.8	86.0	86.3	Sep-15	-	85.4	0.3	0.3%
Employment Outlook Indicator	109.7	108.8	90.8	-	Jan-14	103.1	-18.0	-16.5%
Inflation Expectations Indicator	142.8	142.7	138.2	-	Jun-15	141.2	-4.5	-3.1%
Current Prices Satisfaction Indicator	85.5	87.3	62.8	-	May-14	78.5	-24.5	-28.1%
Interest Rates Expectations Indicator	125.9	121.6	120.2	-	Jan-15	122.6	-1.4	-1.1%

West India Overview

	Oct-15	Nov-15	Dec-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
West India Consumer Indicator	110.2	115.8	108.8	-	series low	111.6	-7.0	-6.0%
Current Indicator	107.4	113.7	107.5	-	Oct-15	109.5	-6.2	-5.4%
Expectations Indicator	112.1	117.1	109.7	-	series low	113.0	-7.4	-6.4%
Personal Finance: Current	105.0	114.2	106.4	-	Oct-15	108.5	-7.8	-6.8%
Personal Finance: Expected	107.1	113.1	106.0	-	series low	108.7	-7.1	-6.3%
Business Condition: 1 Year	110.5	117.2	106.4	-	series low	111.4	-10.8	-9.2%
Business Condition: 5 Years	118.7	121.1	116.7	-	series low	118.8	-4.4	-3.6%
Durable Buying Conditions	109.9	113.2	108.6	-	Jun-15	110.6	-4.6	-4.0%
Current Business Conditions Indicator	103.1	102.8	98.4	-	series low	101.4	-4.4	-4.3%
Real Estate Investment Indicator	114.6	116.2	114.9	-	Oct-15	115.2	-1.3	-1.1%
Car Purchase Indicator	85.5	86.0	85.3	-	Jul-15	85.6	-0.7	-0.8%
Employment Outlook Indicator	110.7	113.8	108.1	-	Sep-13	110.9	-5.7	-5.0%
Inflation Expectations Indicator	141.7	136.4	138.6	Oct-15	-	138.9	2.2	1.6%
Current Prices Satisfaction Indicator	76.6	74.8	68.4	-	Jun-14	73.3	-6.4	-8.5%
Interest Rates Expectations Indicator	131.5	130.0	122.5	-	Aug-14	128.0	-7.5	-5.8%

Central India Overview

	Oct-15	Nov-15	Dec-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
Central India Consumer Indicator	116.1	113.7	108.0	-	series low	112.6	-5.7	-5.0%
Current Indicator	111.6	108.9	101.5	-	series low	107.3	-7.4	-6.8%
Expectations Indicator	119.0	116.9	112.3	-	series low	116.1	-4.6	-3.9%
Personal Finance: Current	110.7	107.6	105.0	-	Sep-15	107.8	-2.6	-2.4%
Personal Finance: Expected	115.2	106.8	109.0	Oct-15	-	110.3	2.2	2.1%
Business Condition: 1 Year	118.8	117.8	109.0	-	series low	115.2	-8.8	-7.5%
Business Condition: 5 Years	123.2	126.3	119.0	-	series low	122.8	-7.3	-5.8%
Durable Buying Conditions	112.5	110.2	98.0	-	series low	106.9	-12.2	-11.0%
Current Business Conditions Indicator	103.6	100.0	85.0	-	series low	96.2	-15.0	-15.0%
Real Estate Investment Indicator	117.0	109.9	112.3	Oct-15	-	113.1	2.4	2.2%
Car Purchase Indicator	88.8	85.2	82.5	-	Jun-15	85.5	-2.7	-3.1%
Employment Outlook Indicator	116.1	121.2	99.0	-	Oct-14	112.1	-22.2	-18.3%
Inflation Expectations Indicator	139.3	137.3	142.0	Jun-15	-	139.5	4.7	3.4%
Current Prices Satisfaction Indicator	75.0	81.4	55.0	-	Aug-14	70.5	-26.4	-32.4%
Interest Rates Expectations Indicator	133.0	122.0	130.0	Oct-15	-	128.3	8.0	6.5%

All India - Overview by Age

	Oct-15	Nov-15	Dec-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
Age 18-34								
MNI India Consumer Indicator	117.2	116.9	110.2	-	series low	114.8	-6.7	-5.7%
Current Indicator	110.0	112.3	106.3	-	series low	109.5	-6.0	-5.3%
Expectations Indicator	122.1	120.0	112.9	-	series low	118.3	-7.1	-5.9%
Personal Finance: Current	106.8	110.1	102.6	-	series low	106.5	-7.5	-6.8%
Personal Finance: Expected	117.1	117.7	110.8	-	series low	115.2	-6.9	-5.9%
Business Condition: 1 Year	122.3	118.2	108.0	-	series low	116.2	-10.2	-8.7%
Business Condition: 5 Years	126.8	124.0	119.8	-	series low	123.5	-4.2	-3.4%
Durable Buying Conditions	113.2	114.5	110.0	-	Mar-15	112.6	-4.5	-3.9%
Age 35-54								
MNI India Consumer Indicator	113.8	113.1	106.5	-	series low	111.1	-6.6	-5.9%
Current Indicator	108.1	110.2	103.5	-	series low	107.3	-6.7	-6.1%
Expectations Indicator	117.7	115.0	108.4	-	series low	113.7	-6.6	-5.7%
Personal Finance: Current	105.3	109.3	99.3	-	series low	104.6	-10.0	-9.2%
Personal Finance: Expected	113.2	110.9	105.8	-	series low	110.0	-5.1	-4.7%
Business Condition: 1 Year	117.6	114.1	106.8	-	series low	112.8	-7.3	-6.3%
Business Condition: 5 Years	122.2	119.9	112.7	-	series low	118.3	-7.2	-6.0%
Durable Buying Conditions	110.9	111.1	107.7	-	Jun-15	109.9	-3.4	-3.1%
Age 55-64								
MNI India Consumer Indicator	110.1	109.2	109.6	Oct-15	-	109.6	0.4	0.4%
Current Indicator	104.8	104.5	107.5	Sep-15	-	105.6	3.0	2.9%
Expectations Indicator	113.7	112.3	111.0	-	series low	112.3	-1.3	-1.2%
Personal Finance: Current	98.7	100.8	101.6	Sep-15	-	100.4	0.8	0.8%
Personal Finance: Expected	111.0	106.4	105.8	-	series low	107.7	-0.6	-0.6%
Business Condition: 1 Year	114.8	108.7	107.7	-	Sep-13	110.4	-1.0	-0.9%
Business Condition: 5 Years	115.2	121.8	119.4	-	Oct-15	118.8	-2.4	-2.0%
Durable Buying Conditions	110.8	108.2	113.4	Feb-15	-	110.8	5.2	4.8%

All India - Overview by Income

	Oct-15	Nov-15	Dec-15	Highest Since	Lowest Since	3-Month Average	Monthly Change	Monthly % Change
< Rs. 432,000 per annum								
MNI India Consumer Indicator	108.3	111.7	103.6	-	series low	107.9	-8.1	-7.3%
Current Indicator	103.5	106.0	99.8	-	series low	103.1	-6.2	-5.9%
Expectations Indicator	111.6	115.5	106.1	-	series low	111.1	-9.4	-8.1%
Personal Finance: Current	95.9	104.0	96.2	-	Oct-15	98.7	-7.8	-7.4%
Personal Finance: Expected	112.0	115.9	105.9	-	series low	111.3	-10.0	-8.6%
Business Condition: 1 Year	111.7	113.0	103.6	-	series low	109.4	-9.4	-8.4%
Business Condition: 5 Year	111.1	117.6	108.8	-	series low	112.5	-8.8	-7.5%
Durable Buying Conditions	111.0	108.1	103.3	-	Sep-15	107.5	-4.8	-4.4%
> Rs. 432,000 per annum								
MNI India Consumer Indicator	125.4	122.2	113.5	-	series low	120.4	-8.7	-7.1%
Current Indicator	120.6	122.2	113.5	-	Jan-14	118.8	-8.7	-7.1%
Expectations Indicator	128.6	122.2	113.5	-	series low	121.4	-8.7	-7.1%
Personal Finance: Current	116.8	118.9	112.1	-	series low	115.9	-6.8	-5.8%
Personal Finance: Expected	125.2	117.3	110.4	-	series low	117.6	-6.9	-5.9%
Business Condition: 1 Year	126.4	126.4	108.1	-	series low	120.3	-18.3	-14.5%
Business Condition: 5 Year	134.1	122.9	122.1	-	series low	126.4	-0.8	-0.7%
Durable Buying Conditions	124.3	125.5	114.9	-	Aug-15	121.6	-10.6	-8.4%

Methodology

The MNI India Consumer Sentiment Survey is a wide ranging monthly survey of consumer confidence across India.

Data is collected via telephone interviews. At least 1,000 interviews are conducted each month across the country. The survey has been in place since November 2012.

The survey adopts a similar methodology to the University of Michigan survey of U.S. consumer sentiment.

The main MNI India Consumer Indicator is derived from five questions, two on current conditions and three on future expectations:

- 1) Current personal financial situation compared to a year ago
- 2) Current willingness to buy major household items
- 3) Personal financial situation one year from now
- 4) Overall business conditions one year from now
- 5) Overall business conditions for the next 5 years

Indicators relating to specific questions in the report are diffusion indices with 100 representing a neutral level, meaning positive and negative answers are equal. Values above 100 indicate increasing positivity while values below show increasing negativity.



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